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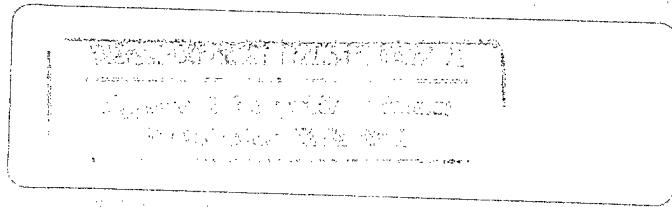
United States General Accounting Office

Briefing Report to Congressional
Committees

September 1996

1997 DEFENSE
BUDGET

Potential Reductions
and Rescissions to
DOD's Procurement
and RDT&E Programs



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We examined the Department of Defense's (DOD) fiscal year 1997 budget request and prior years' appropriations for selected procurement and research, development, test, and evaluation (RDT&E) programs. Our objectives were to identify potential reductions in the fiscal year 1997 budget request and potential rescissions to prior years' appropriations. This report summarizes information provided to your staffs from April through June 1996.

We identified opportunities to reduce fiscal year 1997 procurement and RDT&E requests by \$3.2 billion and to rescind prior years' procurement and RDT&E appropriations by about \$454.9 million. These reductions and/or rescissions can be made because schedules slipped, requirements changed, and issues affecting program funding emerged since the budget request was developed. The potential rescissions include about \$35.6 million in excess prior years' appropriations for which obligational authority expires on September 30, 1996. DOD has requested congressional approval to reprogram some of these excess funds in its fiscal year 1996 omnibus reprogramming request and has identified some of these excess funds for possible use to pay for Bosnia operations.

Procurement Appropriations

As shown in table 1, we identified about \$3 billion in potential reductions to DOD's fiscal year 1997 procurement budget requests and \$451.1 million in potential rescissions from DOD's prior years' procurement appropriations.

Table 1: Potential Reductions and Rescissions to Procurement Programs

	Dollars in millions	Potential fiscal year 1997 reductions	Potential prior year rescissions
Army		\$207.469	\$159.485
Navy		2,302.955	256.330
Air Force		460.106	35.300
Defense-wide		15.200	0
Total		\$2,985.730	\$451.115

The potential rescissions from prior years' procurement appropriations include \$416.9 million in excess fiscal year 1996 funds, about \$2.4 million in excess fiscal year 1995 funds, and \$31.8 million in expiring excess fiscal year 1994 funds.

Details regarding the potential reductions and rescissions for procurement programs are provided in appendix I.

RDT&E Appropriations

As shown in table 2, we identified \$224.2 million in potential reductions to DOD's fiscal year 1997 RDT&E budget requests and about \$3.8 million in potential rescissions from DOD's prior years' RDT&E appropriations.

Table 2: Potential Reductions and Rescissions to RDT&E Programs

	Dollars in millions	Potential fiscal year 1997 reductions	Potential prior year rescissions
Army	\$3,892	\$0.142	
Navy	19,698	0	
Air Force	26,908	2,800	
Defense-wide	173,724	0.821	
Total	\$224.222	\$3.763	

All of the \$3,763,000 in potential rescissions from prior years' RDT&E appropriations is from expiring excess fiscal year 1995 funds.

Details regarding the potential reductions and rescissions to RDT&E programs are provided in appendix II.

Agency Comments

Commenting orally on a draft of this report, DOD disagreed with virtually all of the potential funding reductions and rescissions. In many instances, DOD believed that the funds could be used for other requirements. We have incorporated DOD's comments on specific programs throughout the report where appropriate.

Scope and Methodology

To identify potential reductions and rescissions, we focused on unobligated funds and funds on withhold in addition to program cost, schedule, and performance issues. We examined expenditure documents to determine whether requests were adequately justified and whether

unobligated funds from prior appropriations should be retained. Appendix III provides more information regarding our scope and methodology.

We are sending copies of this report to the Secretaries of Defense, the Army, the Navy, and the Air Force and the Director, Office of Management and Budget. We will also make copies available to others upon request.

This report was prepared under the direction of Louis J. Rodrigues, Director, Defense Acquisitions Issues, who may be reached on (202) 512-4841 if you or your staffs have any questions. Other major contributors are listed in appendix V.



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Abbreviations

DOD	Department of Defense
RDT&E	research, development, test, and evaluation

Potential Reductions and Rescissions to Procurement Programs

The Department of Defense (DOD) requested \$38.9 billion in procurement funding for fiscal year 1997. As shown in table I.1, our review of selected budget line items in the request and prior years' appropriations identified potential reductions of about \$3 billion to fiscal year 1997 requests; potential rescissions of about \$416.9 million and \$2.4 million from fiscal year 1996 and 1995 appropriations, respectively; and \$31.8 million in potential rescissions from expiring fiscal year 1994 appropriations.

Table I.1: Potential Reductions and Rescissions to Procurement Programs

Dollars in millions

	Fiscal year 1997		Potential rescission		
	Request ^a	Potential reduction	Fiscal year 1996	Fiscal year 1995	Fiscal year 1994
Army	\$1,124.292	\$207.469	\$152.000	\$2.385	\$5.100
Navy	2,907.970	2,302.955	256.330	0	0
Air Force	2,486.223	460.106	8.600	0	26.700
Defense-wide	86.677	15.200	0	0	0
Total	\$6,605.162	\$2,985.730	\$416.930	\$2.385	\$31.800

^aThis is the amount requested for budget line items for which we have identified a potential reduction and/or rescission.

Army Procurement Programs

The Army requested \$6.3 billion for procurement programs in fiscal year 1997. As shown in table I.2, we identified potential reductions of about \$207.5 million to the fiscal year 1997 request and potential rescissions of \$152 million, about \$2.4 million, and \$5.1 million from fiscal year 1996, 1995, and 1994 appropriations, respectively.

Appendix I
Potential Reductions and Rescissions to
Procurement Programs

Table I.2: Potential Reductions and Rescissions to Army Procurement Programs

Dollars in millions

Procurement appropriation	Fiscal year 1997		Potential rescission		
	Request^a	Potential reduction	Fiscal year 1996	Fiscal year 1995	Fiscal year 1994
Aircraft	\$617.947	\$46.031	\$2.600	\$2.385	\$5.100
Missile	186.547	39.786	0	0	0
Weapons and Tracked Combat Vehicles	0	0	142.800	0	0
Ammunition	0	0	6.600	0	0
Other	319.798	121.652	0	0	0
Total	\$1,124.292	\$207.469	\$152.000	\$2.385	\$5.100

^aThis is the amount requested for budget line items for which we have identified a potential reduction and/or rescission.

**Aircraft Procurement,
Army**

The Army requested \$970.8 million for aircraft procurement programs in fiscal year 1997. As shown in table I.3, we identified potential reductions of \$46 million to the fiscal year 1997 request and potential rescissions of \$2.6 million, about \$2.4 million, and \$5.1 million from fiscal year 1996, 1995, and 1994 appropriations, respectively.

Table I.3: Potential Reductions and Rescissions to Army Aircraft Procurement Programs

Dollars in millions

Line no.	Line item description	Fiscal year 1997		Potential rescission		
		Request	Potential reduction	Fiscal year 1996	Fiscal year 1995	Fiscal year 1994
6	UH-60 Blackhawk (Multiyear Procurement)	\$161.279	\$0.824	0	0	0
11	AH-64 Modifications	43.287	6.241	0	0	0
14	OH-58 Modifications	1.147	0.374	0	0	0
16	Longbow	356.957	10.731	0	0	0
20	Kiowa Warrior	9.115	9.115	\$2.600	\$2.385	0
21	EH-60 Quickfix Modifications	13.912	13.912	0	0	0
29	Training Devices	7.339	0.934	0	0	0
30	Common Ground Equipment	24.911	3.900	0	0	0
	UH-1 Huey Service Life Extension Program	0	0	0	0	\$5.100
Total		\$617.947	\$46.031	\$2.600	\$2.385	\$5.100

UH-60 Blackhawk (Multiyear Procurement) (Line 6)	<p>The Army's fiscal year 1997 request of \$161.3 million for UH-60 Blackhawk helicopters can be reduced by \$824,000 because an equivalent amount of excess fiscal year 1995 funds are available to meet fiscal year 1997 requirements. At the beginning of fiscal year 1996, the Army had \$15.3 million in unobligated fiscal year 1995 UH-60 Blackhawk procurement funds. Through April 30, 1996, the Army had obligated \$645,000, or 4 percent of the amount, leaving an unobligated balance of \$14.7 million. We asked Army program management officials to provide us specific information on when and how these funds would be used, but they did not provide us the requested information. Because the Army had not provided adequate justification for retaining these funds, we initially concluded that the unobligated \$14.7 million could be used to offset the fiscal year 1997 request.</p> <p>DOD commented that all but \$50,000 of the fiscal year 1995 funds had been obligated; however, the Army's latest financial report dated August 1, 1996, shows that the Army has not obligated \$824,000. We believe, therefore, that these funds can be used to offset the fiscal year 1997 request.</p>
AH-64 Modifications (Line 11)	<p>The Army's fiscal year 1997 request of \$43.3 million for AH-64 modifications can be reduced by \$6.2 million because an equivalent amount of excess fiscal year 1996 funds is available to meet program requirements. DOD is withholding these funds pending reprogramming action. Program officials said that the program was disrupted by DOD withholding the fiscal year 1996 funds.</p> <p>DOD commented that our proposed reduction would adversely affect planned procurements and upgrades and that it had already requested approval to reprogram \$5 million of the \$6.2 million. Nevertheless, since these funds will not be used for AH-64 modifications in fiscal year 1996, any funds not already approved for reprogramming can instead be used to offset fiscal year 1997 requirements.</p>
OH-58 Modifications (Line 14)	<p>The Army's fiscal year 1997 request of \$1.1 million for OH-58 modifications can be reduced by \$374,000 because an equivalent amount of unobligated excess fiscal year 1996 funds is available to meet these requirements. The Army submitted budgets containing \$400,000 in fiscal year 1995 and \$1.4 million in fiscal year 1996 for OH-58 safety and sustainment modifications, even though it did not have requirements for such modifications.</p>

A program official said that these funds were requested to allow for contingencies. He added that DOD encouraged such budgeting to keep the line open and that he did not believe that program funding should be reduced or rescinded because the funds could be used for other purposes. Nevertheless, the Army requested the funds for OH-58 safety and sustainment modifications in fiscal years 1995 and 1996 and they are not needed for that purpose. Therefore, we believe the unobligated amount can be used to offset the fiscal year 1997 request.

DOD commented that most of the funds from the prior years had been obligated. However, according to the Army's latest financial report dated August 1, 1996, the Army had not obligated \$374,000. We believe, therefore, that amount can be used to offset the fiscal year 1997 request.

Longbow (Line 16)

The Army's fiscal year 1997 request of \$357 million for Longbow can be reduced by \$10.7 million because an equivalent amount of excess fiscal year 1996 funds is available to meet program requirements if they are not reprogrammed for Bosnia. This amount is excess because DOD withheld the \$10.7 million from the fiscal year 1996 appropriation to pay for Bosnia operations.

Program officials said that the fiscal year 1996 withholdings are contributing to difficulties in procuring the quantities planned for the year. However, since DOD does not plan to release these funds for Longbow production in fiscal year 1996, they can be used to offset fiscal year 1997 requirements. DOD did not agree with the reduction because the funds have been identified for possible use for Bosnia.

Kiowa Warrior (Line 20)

The Army's fiscal year 1997 request of \$9.1 million can be denied because prior years' funds are available to meet fiscal year 1997 requirements, and \$2.4 million and \$2.6 million can be rescinded from fiscal year 1996 and 1995 appropriations, respectively. Fiscal year 1995 and 1996 funds are excess to program requirements because contract costs are less than amounts budgeted by the program office.

The Army has about \$11.5 million in excess fiscal year 1995 funds and \$2.6 million in excess fiscal year 1996 funds. The fiscal year 1995 funds are excess because (1) definitized lot 12 contract costs for the remanufacture of the mast mounted sight were \$7.2 million less than the program office had budgeted for the follow-on lot 12 remanufacturing effort, (2) the definitized contract for the lot 12 remanufactured airframes was \$3.1 million less than what was budgeted, and (3) the definitized lot 4

contract cost for the retrofit program was \$1.2 million less than budgeted. The \$2.6 million in excess fiscal year 1996 funds can be rescinded because the amount budgeted for the lot 5 retrofit program was greater than the not-to-exceed lot 5 contract amount. DOD did not agree with the reduction or rescissions but did not provide new information or further rationale for its position.

**EH-60 Quickfix Modifications
(Line 21)**

The Army's fiscal year 1997 request of \$13.9 million to upgrade one EH-60 Quickfix helicopter into the Intelligence Electronic Warfare Common Sensor Advanced Quickfix configuration can be denied. The Army justified this request as a low-rate initial production unit for the initial operational test and evaluation scheduled in September 1997. According to the Army's justification, the upgraded system will also support an approved Operational Requirements Document for contingency forces.

According to the current delivery schedule, the upgraded system, to be procured in fiscal year 1997, would not be available for scheduled operational testing. Further, although procurement of an upgraded system may also support an operational requirement, this is not a justification for the purchase of additional systems prior to operational testing.

DOD commented that the subsystems for the system will be available in time for the operational testing. However, Army test plans did not indicate any need for additional subsystems for the operational tests. Moreover, the Army requested funding to procure a complete system for the operational tests and the complete system will not be available in time for the operational tests. Therefore, we continue to believe that the fiscal year 1997 request can be denied.

Training Devices (Line 29)

The Army's fiscal year 1997 request of \$7.3 million for training devices can be reduced by \$934,000 because an equivalent amount of fiscal year 1996 funds is available to meet program requirements. DOD is withholding these funds and plans to reprogram them for Bosnia operations. Project officials are concerned that the fiscal year 1997 budget request might be reduced without the fiscal year 1996 withholdings being restored to the program. However, since these funds will not be used for training devices in fiscal year 1996, we believe they can be used to offset the fiscal year 1997 request if they are not reprogrammed for Bosnia. DOD did not agree with the reduction because the funds have been identified for possible use for Bosnia.

Appendix I
Potential Reductions and Rescissions to
Procurement Programs

Common Ground Equipment (Line 30)	<p>The Army's fiscal year 1997 request of \$24.9 million for common ground equipment can be reduced by \$3.9 million because an equivalent amount of excess fiscal year 1996 funds is available to meet program requirements. The program office has identified these funds as excess to its fiscal year 1996 airfield support equipment needs due to program delays.</p> <p>Program officials attempted to return these funds to DOD for inclusion in the fiscal year 1996 omnibus reprogramming request, but they were not included. Currently, they are attempting to have these funds reprogrammed to the Air Traffic Navigation, Integration and Coordination System. These funds, according to a program official, are necessary for further development of this system in fiscal year 1997. However, since these funds will not be used for air traffic control in fiscal year 1996, we believe they can be used to offset the fiscal year 1997 budget request.</p>
UH-1 Huey Service Life Extension Program	<p>The Army's fiscal year 1994 appropriation of \$5.1 million for the UH-1 Huey service life extension program can be rescinded because the Army does not plan to modify the Huey. In fiscal year 1994, Congress provided \$15 million for this effort. The Army conducted a study of the viability of extending the UH-1's service life and concluded that there was no need for such a program. The Army reprogrammed \$9.9 million of the \$15-million appropriation to the Kiowa aircraft program and planned to reprogram the remaining \$5.1 million for the Javelin missile. However, the \$5.1-million reprogramming action was not approved and DOD has withheld the funding. The \$5.1 million in excess fiscal year 1994 funds will expire if not obligated by September 30, 1996, and, therefore, is available for reprogramming or rescission during the remainder of fiscal year 1996.</p>
Missile Procurement, Army	<p>The Army requested \$766.3 million for missile procurement programs in fiscal year 1997. As shown in table I.4, we identified potential reductions of about \$39.8 million to the fiscal year 1997 request. We did not identify any potential rescissions from prior years' appropriations.</p>

Table I.4: Potential Reductions to the Army Missile Procurement Programs

		Dollars in millions	
Line no.	Line item description	Fiscal year 1997	
		Request	Potential reduction
5	Javelin	\$162.104	\$20.000
7	Multiple Launch Rocket System	24.443	19.786
	Total	\$186.547	\$39.786

Javelin System (Line 5)

The Army's fiscal year 1997 request of \$162.1 million for Javelin can be reduced by \$20 million if the Army modifies its third low-rate initial production contract to purchase fewer command launch units and missiles in fiscal year 1996 and uses the fiscal year 1996 funding allocated for these command launch units and missiles to offset the 1997 request. In addition, Congress may want to consider restricting the Javelin 1997 appropriation until the Army conducts additional operational tests that prove the redesigned Javelin is operationally suitable.

The Army is redesigning the command launch unit to reduce production and logistics costs and plans to begin replacing all 277 low-rate initial production units within 3 years after the first unit is equipped. To minimize replacement costs, the Army could reduce the number of command launch units to be purchased in the third low-rate initial production contract from 125 to 36 units and still sustain the production line. Program office officials said reducing the number of launch units to 36 would decrease the cost of the contract by \$18.5 million. Additionally, because of problems with the missile rounds, the Army could reduce the number of missile rounds to be purchased in the third low-rate initial production contract from 1,010 to 960, and still produce the rounds at the contractor's minimum sustaining rate of 80 rounds per month. According to the Chief of Javelin's Cost Branch, reducing the number of rounds to be purchased to 960 would decrease the contract cost by about \$1.5 million. In addition, the reduction should help ensure that problems are identified and corrected before procuring additional rounds.

The Army does not agree that the number of command launch units to be purchased should be reduced to the contractor's minimum sustaining level of production. Army officials said that purchasing fewer launch units will increase the per unit cost of the remaining units because the contractor has already purchased materials and incurred costs in anticipation of production. They said, however, that the contractor could use the materials that are common to the redesigned unit in those units once their production begins, which would reduce the costs of those future units. Another reason given by the Army officials for not reducing the purchase quantity was that it will impact system fielding. But, the Army has already decided to postpone the purchase of 17 command launch units and a project office official said the purchase of another 12 units may be postponed. According to the Army officials, even if production is reduced, the minimum sustaining level of production that will allow the command launch unit contractor to proceed to full-rate production in fiscal year 1997, as currently planned, is 72 launch units. But, in our opinion, the

Javelin is not ready for full-rate production because the Army is redesigning many system components and has not adequately tested the redesigned system to determine if it is suitable for combat. Operational testing is needed to ensure that the system's reliability and performance in an operational environment will meet the user's requirements.

DOD did not agree with the reduction but did not provide new information or further rationale for its position.

**Multiple Launch Rocket System
(Line 7)**

The Army's fiscal year 1997 request of \$24.4 million for the Multiple Launch Rocket System can be reduced by \$19.8 million (the amount requested to procure hardware for a second low-rate production of 852 extended range rockets) because recent testing revealed the rocket's grenade submunition does not meet performance requirements.

Additionally, the Army may want to consider postponing the planned August 1996 low-rate initial production contract award for 1,326 extended range rockets until the grenade submunition meets performance requirements.

The grenade submunition has not consistently met its requirement of less than 1 percent hazardous duds.¹ During preproduction qualification testing from January to April 1996 on over 1,500 submunitions, the submunition demonstrated a hazardous dud rate of 2.63 percent. Design verification testing of planned corrections to the submunition will not occur until April through June 1997. Program office officials maintain that award of a low-rate production contract for extended range rockets is necessary in fiscal year 1996 to avoid a production break during the transition from basic rockets to extended range rockets.

DOD did not agree with the reduction and our suggestion to postpone award of the low-rate initial production contract stating that (1) the causes of the submunition problem have been identified and benchmarks have been incorporated in the planned verification testing and (2) a delay of the August 1996 low-rate initial production award would shut down the rocket production line and result in \$67 million in additional costs. However, production schedules indicate that, even if the low-rate production contract is awarded in fiscal year 1996, there will be no rocket deliveries in October and November 1997. Moreover, any costs associated with a production break or a decision to enter low-rate initial production should be balanced against the costs of procuring an unproven weapon system. Therefore, we continue to believe the reduction is warranted.

¹A hazardous dud is one that does not explode or disarm itself within 3 minutes of impact.

Appendix I
Potential Reductions and Rescissions to
Procurement Programs

**Procurement of Weapons
and Tracked Combat
Vehicles, Army**

The Army requested \$1.1 billion for weapons and tracked combat vehicles procurement programs in fiscal year 1997. We did not identify any potential reductions to the fiscal year 1997 request. However, as shown in table I.5, we identified a potential rescission of \$142.8 million from the fiscal year 1996 appropriation for one item.

**Table I.5: Potential Rescission to Army
Procurement of Weapons and Tracked
Combat Vehicles Programs**

Dollars in millions		
Line no.	Line item description	Potential rescission (fiscal year 1996)
8	Armored Gun System ^a	\$142.800
	Total	\$142.800

^aThe Army did not request fiscal year 1997 funding for this item.

Armored Gun System (Line 8)

Unless Congress approves DOD's reprogramming requests, the Army's fiscal year 1996 appropriation of \$142.8 million for the Armored Gun System can be rescinded because the program is being terminated. The Army had planned to procure 26 low-rate initial production vehicles with this funding but with the program's termination, the funds will no longer be required for this purpose. Termination liability will be funded from research and development appropriations because the program is currently under an engineering and manufacturing development contract. Army project management officials agreed that the procurement funds are no longer needed for the gun. DOD did not agree with the rescission because it indicated that it included \$105 million of the excess fiscal year 1996 funds in its fiscal year 1996 omnibus reprogramming request and the remaining \$37.8 million in the Task Force XXI reprogramming request.

**Procurement of
Ammunition, Army**

The Army requested \$853.4 million for ammunition procurement programs in fiscal year 1997. We did not identify any potential reductions to the fiscal year 1997 request. However, as shown in table I.6, we identified a potential rescission of \$6.6 million from the fiscal year 1996 appropriation for one item.

**Table I.6: Potential Rescission to Army
Procurement of Ammunition
Appropriation**

Dollars in millions		
Line no.	Line item description	Potential rescission (fiscal year 1996)
11	81-mm Practice 1/10 Range M880 Mortar Cartridge ^a	\$6.600
	Total	\$6.600

^aThe Army did not request fiscal year 1997 funding for this item.

Appendix I
Potential Reductions and Rescissions to
Procurement Programs

**81-mm Practice 1/10 Range
M880 Mortar Cartridge
(Line 11)**

The Army's fiscal year 1996 appropriation of \$6.6 million for 81-mm M880 practice mortar cartridges can be rescinded because the Army does not plan to purchase the cartridges. The Office of the Secretary of Defense is withholding the funds because the Army does not have a requirement for the cartridges. Army officials agreed that the \$6.6 million is excess to fiscal year 1996 requirements and can be rescinded.

Other Procurement, Army

The Army requested \$2.6 billion for other procurement programs in fiscal year 1997. As shown in table I.7, we identified potential reductions of about \$121.7 million to the fiscal year 1997 request. We did not identify any potential rescissions from prior years' appropriations.

**Table I.7: Potential Reductions to Army
Other Procurement Programs**

		Dollars in millions	
		Fiscal year 1997	
Line no.	Line item description	Potential Request	Potential reduction
6	Family of Heavy Tactical Vehicles	\$163.343	\$2.141
7	Armored Security Vehicles (Combat Support)	9.240	0.285
55	Intelligence Electronic Warfare - Ground Based Common Sensors (TIARA)	47.091	47.091
57	Joint STARS (TIARA)	85.428	69.135
147	Modification of In-Service Equipment	14.696	3.000
Total		\$319.798	\$121.652

**Family of Heavy Tactical
Vehicles (Line 6)**

The Army's fiscal year 1997 request of \$163.3 million for the Family of Heavy Tactical Vehicles can be reduced by \$2.1 million because fiscal year 1997 requirements are overstated by \$522,000 and \$1.6 million in excess fiscal year 1996 funds is available to meet fiscal year 1997 program requirements.

The Army's fiscal year 1997 request for the Heavy Equipment Transporter System included \$1.7 million for government testing, engineering support, and documentation. However, the Army overstated testing and engineering support requirements by \$24,000 and \$114,000, respectively, and could not support its \$384,000 estimate for documentation. Therefore, the fiscal year 1997 budget request for the Family of Heavy Tactical Vehicles can be reduced by \$522,000.

The Army's fiscal year 1996 budget request for the Palletized Load System—trucks, trailers, and flat racks—included \$43.7 million to buy

179 trucks; however, the Army bought only 173 trucks for \$1.5 million less than budgeted. Similarly, the Army's fiscal year 1996 budget request for the Heavy Equipment Transporter System included \$667,000 for engineering support; however, this requirement was overstated by \$119,000. The \$1.6 million in excess fiscal year 1996 funds can be used to offset the fiscal year 1997 request for the Family of Heavy Tactical Vehicles.

**Armored Security Vehicles
(Combat Support) (Line 7)**

The Army's fiscal year 1997 request of \$9.2 million for Armored Security Vehicles can be reduced by \$285,000 because the Army overestimated fiscal year 1997 program requirements. The Army incorrectly applied inflation adjustments and, as a result, overestimated fiscal year 1997 program requirements by \$285,000. Therefore, the fiscal year 1997 budget request can be reduced by \$285,000.

**Intelligence Electronic
Warfare-Ground Based
Common Sensors (TIARA)
(Line 55)**

The Army's fiscal year 1997 request of \$47.1 million for full-rate production of six Ground Based Common Sensors can be denied because the system has not successfully completed initial operational test and evaluation. Two preliminary operational tests of this system—called customer tests—conducted by the Army in July 1994 and September 1995 for a low-rate initial production decision revealed that the system was effective. However, these tests also revealed that the system would work only occasionally, in the right conditions. According to the project manager, planned initial operational test and evaluation and not the customer tests will be used to support a full-rate production decision. Committing a system to production without successful completion of initial operational testing can result, as we have previously reported, in the system later having significant problems with operational effectiveness and/or suitability, often requiring major design changes and costly retrofits and sometimes resulting in deployment of substandard systems to combat forces. Therefore, we believe the fiscal year 1997 request can be denied until the system successfully completes initial operational test and evaluation.

DOD commented that the Army will not commit to full-rate production before completion of initial operational test and evaluation, scheduled for September 1996. However, the Army has not established key performance parameters for the minimum acceptable performance levels, and DOD believes that the Army should establish such parameters before conducting the final initial operational test and evaluation. Therefore, we continue to believe the reduction is warranted for the reasons stated above.

**Joint Stars (TIARA)
(Line 57)**

The Army's fiscal year 1997 request of \$85.4 million for Joint STARS can be reduced by \$69.1 million if the Army commits to only 1 system now and if it does not acquire the remaining 15 systems until operational testing is completed. The Army plans to start operational test and evaluation on the Common Ground Stations systems in fiscal year 1998. It has already contracted for more systems than are needed to conduct those tests without acquiring an additional 15 systems in fiscal year 1997.

DOD believes that because the Common Ground System has the same functional baseline as the Ground Station Module and, therefore, is not an immature system, operational tests should pose few problems. Our concern with DOD's approach is that the Ground Station Module passed only 1 of 12 performance related criteria during developmental tests in 1994 and 1995. Moreover, the Common Ground Station operational testing is not scheduled to occur until fiscal year 1998. The risks of systems starting production before operational tests are conducted include reliability that is significantly less than expectations and systems that (1) cannot meet current specifications and/or (2) require significant and expensive post fielding repairs for faults identified during operational testing. Furthermore, by delaying procurement of the 15 systems until fiscal years 1998 and 1999, contract costs could be reduced by over \$5 million because unit prices of these systems will be lower in the future.

DOD commented that (1) the Ground Station Module passed all critical operational issues during a multiservice operational test and (2) limiting the low-rate initial production quantities to those needed for testing would cause a break in production, thereby offsetting any savings we identified. We determined, however, that (1) ground targeting, one of four critical operational issues, was not tested during the multiservice operational test; (2) DOD's Office of the Director of Operational Test and Evaluation has not yet made a final determination on the efficacy of the Ground Station Module; and (3) the Army has not evaluated the effects of our proposal on production. Therefore, we continue to believe the reduction is warranted.

**Modification of In-Service
Equipment (Line 147)**

The Army's fiscal year 1995 request of \$14.7 million for modification of in-service equipment can be reduced by \$3 million because excess fiscal year 1995 funds are available to meet fiscal year 1997 program needs. The Department of the Army is withholding these funds because of a problem with the Logistics Support Vehicle. The Army plans to reprogram these funds for some other purpose, but a program official said that, as of May 8, 1996, these funds remained unobligated and would not be available for the vehicle. Since the Army does not plan to use these funds for the Logistics

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Support Vehicle in fiscal year 1996, they can be used to offset fiscal year 1997 program needs. Program officials said that as of June 7, 1996, the requirement for the vehicle was still valid and will have to be funded in the future.

Navy Procurement Programs

The Navy requested \$15.4 billion for procurement programs for itself and the Marine Corps in fiscal year 1997. As shown in table I.8, we identified potential reductions of \$2.3 billion to the fiscal year 1997 request and potential rescissions of \$256.3 million from fiscal year 1996 appropriations.

Table I.8: Potential Reductions and Rescissions to Navy Procurement Programs

Procurement appropriation	Dollars in millions		
	Request^a	Fiscal year 1997	Potential rescission (fiscal year 1996)
Aircraft	\$2,487.862	\$2,174.249	\$229.715
Weapons	37.852	5.568	3.500
Shipbuilding and Conversion	151.655	74.000	16.400
Other	224.549	46.538	6.715
Marine Corps	6.052	2.600	0
Total	\$2,907.970	\$2,302.955	\$256.330

^aThis is the amount requested for budget line items for which we have identified a potential reduction and/or rescission.

Aircraft Procurement, Navy

The Navy requested \$5.9 billion for aircraft procurement programs in fiscal year 1997. As shown in table I.9, we identified potential reductions of about \$2.2 billion to the fiscal year 1997 request and potential rescissions of \$229.7 million from fiscal year 1996 appropriations.

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Table I.9: Potential Reductions and Rescission to Navy Aircraft Procurement Programs

Dollars in millions				
		Fiscal year 1997		
Line no.	Line item description	Request	Potential reduction	Potential rescission (fiscal year 1996)
5	F/A-18E/F (Fighter) Hornet	\$1,859.856	\$1,859.856	0
6	F/A-18E/F (Fighter) Hornet Advance Procurement	294.867	294.867	\$229.715
45	Common Electronic Countermeasures Equipment	20.069	12.026	0
48	Common Ground Equipment	313.070	7.500	0
Total		\$2,487.862	\$2,174.249	\$229.715

F/A-18E/F (Fighter) Hornet (Line 5)

The Navy's fiscal year 1997 request of \$1.9 billion for the F/A-18E/F aircraft can be denied if, as we have suggested, Congress does not authorize the production of the aircraft. The Navy justified the need for the F/A-18E/F in three key areas where the F/A-18C/D aircraft was expected to be deficient: range, carrier recovery payload, and survivability. However, operational deficiencies in the F/A-18C/Ds either have not materialized as projected or can be corrected with nonstructural changes to the F/A-18C/D.

Furthermore, F/A-18E/F operational capabilities will only be marginally improved over the F/A-18C/D. While the F/A-18E/F will have increased range over the F/A-18C/D due to the F/A-18E/F's larger fuel capacity, the F/A-18C/D's range in the high altitude mission profile that the F-18s are expected to fly will exceed the range required by the F/A-18E/F's system specifications. Also, the F/A-18E/F's range increase is achieved at the expense of its combat performance—it will have less combat capability in its sustained turn rate, maneuvering, and acceleration than F/A-18C/Ds with its enhanced performance engines. Although improvements are planned to increase the F/A-18E/F's survivability in combat, the need for the aircraft was not justified on the basis to counter threats that could not be met with existing or improved F/A-18C/Ds; also, the effectiveness of the stealth improvements planned for the F/A-18E/F is questionable. Further, the Navy's \$44 million (fiscal year 1996 dollars) unit recurring flyaway cost estimate for the F/A-18E/F is understated. We have, therefore, concluded that procuring the new F/A-18E/F aircraft is not the most cost-effective approach to modernizing the Navy's tactical aircraft fleet.²

DOD commented that it had determined that the F/A-18E/F offered better capability than the earlier F/A-18C/D in many areas. However, DOD did not

²Navy Aviation: F/A-18E/F Will Provide Marginal Operational Improvement at High Cost (GAO/NSIAD-96-98, June 18, 1996).

provide new information or further rationale for its position. Therefore, we have not changed our position.

**F/A-18E/F (Fighter) Hornet
Advance Procurement (Line 6)**

The Navy's fiscal year 1997 request of \$294.9 million for F/A-18E/F advance procurement can be denied and the \$229.7 million fiscal year 1996 appropriation can be rescinded if Congress does not authorize F/A-18E/F production. We have advised the congressional defense committees that we have concluded that procuring the new F/A-18E/F aircraft is not the most cost-effective approach to modernizing the Navy's tactical aircraft fleet. Given the cost and marginal improvements in operational capabilities that the F/A-18E/F would provide, we have recommended that the Secretary of Defense reconsider the decision to produce the F/A-18E/F aircraft and, instead, consider procuring additional F/A-18C/Ds. DOD disagreed with these proposed reductions and rescissions for the same reasons as indicated in the above section on the F/A-18E/F (line 5) and our rejoinder to DOD's comment is the same.

**Common Electronic
Countermeasures Equipment
(Line 45)**

The Navy's fiscal year 1997 request of \$20.1 million for common electronic countermeasures equipment can be reduced by \$12 million. These funds, requested for the AIR-67(V)3 radar warning receiver, are not needed because fiscal year 1996 funds are available to initiate low-rate production, if DOD certifies the AIR-67(V)3 to be potentially operationally effective and suitable as required by Congress. In fiscal year 1996, funds to initiate the procurement of the radar warning receiver were included in the F/A-18C/D program. However, due to continued schedule slippage, operational testing is not scheduled to be completed until the second quarter of fiscal year 1997.

DOD commented that the funds will be needed to complete development and testing prior to the low-rate initial production decision in fiscal year 1998. We continue to believe the reduction is warranted because the Navy no longer needs the funds to initiate low-rate initial production in fiscal year 1996.

**Common Ground Equipment
(Line 48)**

The Navy's fiscal year 1997 request of \$313.1 million for common ground equipment can be reduced by \$7.5 million because the Navy Comptroller is withholding \$7.5 million in excess fiscal year 1996 funds that can be used to offset fiscal year 1997 program requirements. According to the Navy Comptroller's office, the excess funds are required in fiscal year 1997 and the President's budget reflected use of these funds to support fiscal year 1997 requirements. However, we could not verify the accuracy of the Navy's position because the Navy did not provide data to support its

position. Therefore, unless the Navy can demonstrate that it offset its fiscal year 1997 budget requirements by the \$7.5 million in excess fiscal year 1996 funds, the Navy's fiscal year 1997 request should be reduced by that amount.

DOD did not agree with the reduction and provided documentation that the funds could be used in fiscal year 1996 if they are released by the Navy. Pending release of the funds, we continue to believe the funds can be used to offset fiscal year 1997 requirements.

**Weapons Procurement,
Navy**

The Navy requested \$1.4 billion for weapons procurement programs in fiscal year 1997. As shown in table I.10, we identified potential reductions of about \$5.6 million to the fiscal year 1997 request and a potential rescission of \$3.5 million from the fiscal year 1996 appropriation.

Table I.10: Potential Reductions and Rescission to Navy Weapons Procurement Programs

Dollars in millions				
		Fiscal year 1997		
Line no.	Line item description	Request	Potential reduction	Potential rescission (fiscal year 1996)
6	Advanced Medium Range Air-to-Air Missile	\$36.091	\$3.807	0
24	MK-46 Torpedo Modifications	1.761	1.761	\$3.500
Total		\$37.852	\$5.568	\$3.500

Advanced Medium Range Air-to-Air Missile (Line 6)

The Navy's fiscal year 1997 request of \$36.1 million for the Advanced Medium Range Air-to-Air Missile can be reduced by \$3.8 million because excess fiscal year 1996 funds are available to meet fiscal year 1997 program requirements. Excess funds are available because the fiscal year 1996 contract was negotiated at \$3.8 million less than expected. A Navy official said that the Navy Comptroller did not release fiscal year 1996 appropriated funds identified as savings from the fiscal year 1996 contract award. According to the official, the funds are being held to offset fiscal year 1997 requirements. However, our analysis of the budget did not reveal unfunded requirements or shortfalls. DOD did not agree with the reduction but provided no new information or further rationale to support its position.

MK-46 Torpedo Modifications (Line 24)

The Navy's fiscal year 1997 request of \$1.8 million for MK-46 torpedo modifications can be denied, and \$3.5 million in the fiscal year 1996 appropriation can be rescinded if this program is terminated. Of the

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\$3.5 million, about \$2 million is currently unobligated, and the remaining \$1.5 million has been deferred by the Navy Comptroller. The Navy's upgrade programs should be terminated because (1) they will only marginally improve existing torpedoes' performance and (2) the Navy is developing a new Hybrid lightweight torpedo that is supposed to accomplish the same littoral warfare objectives as the upgrade effort.

Our recent classified report on Navy torpedo programs points out that the Navy is upgrading its existing lightweight torpedoes—the MK-46 and the MK-50 Block II—to improve their performance against diesel submarines in shallow, littoral waters. Operational performance tests have not yet been done for either upgraded torpedo. Without such tests, the Navy will not know whether the upgrades will improve the torpedoes' effectiveness. However, the Navy's simulation analyses show that the upgrades would only marginally improve effectiveness. Additionally, the Navy is developing a new Hybrid lightweight torpedo to improve its capability against diesel submarines in shallow, littoral waters.

DOD did not agree that the program should be terminated and stated that the MK-46 upgrade provides a cost-effective means to achieve an interim capability for shallow-water antisubmarine warfare prior to the introduction of the Hybrid lightweight torpedo. We continue to believe the reduction is warranted given (1) the lack of operational test data and (2) the expected capability of the new Hybrid lightweight torpedo.

Shipbuilding and Conversion, Navy

The Navy requested \$4.9 billion for shipbuilding and conversion programs in fiscal year 1997. As shown in table I.11, we identified potential reductions of \$74 million to the fiscal year 1997 request and a potential rescission of \$16.4 million from the fiscal year 1996 appropriation.

Table I.11: Potential Reductions and Rescission to Navy Shipbuilding and Conversion Programs

Line no.	Line item description	Fiscal year 1997		
		Request	Potential reduction	Potential rescission (fiscal year 1996)
13	AE(C)	\$59.665	\$30.000	0
15	Service Craft	0	0	\$16.400
16	Outfitting	91.990	44.000	0
	Total	\$151.655	\$74.000	\$16.400

AE(C) (Line 13)

The Navy's fiscal year 1997 request of \$59.7 million for conversion of Kilauea Class/Suribachi Class ships can be reduced by \$30 million because an equivalent amount of excess fiscal year 1996 funds are available to meet these requirements. These funds are available because contracts were to have been awarded in March and April 1996 for the conversion of two of seven ships that have to be converted by the end of fiscal year 1998. However, as of May 1996, the Navy Comptroller was withholding these funds from this program for potential reprogramming for Bosnia; therefore, it does not appear likely that the contracts will be awarded. Concomitantly, the Navy has requested \$59.7 million for this conversion program for fiscal year 1997.

DOD did not agree with the reduction stating that the funds will now be used for fiscal year 1996 conversion efforts. However, it did not provide documentation to support the spending plans. Unless the Navy can demonstrate a fiscal year 1996 need for these funds, we believe the funds can be used to offset the fiscal year 1997 request.

Service Craft (Line 15)

If Congress does not approve DOD's reprogramming request, the Navy's fiscal year 1996 appropriation of \$16.4 million for service craft can be rescinded because the funds are no longer needed for the purpose for which they were provided. The Navy Comptroller has placed the \$16.4 million on hold pending reprogramming action. Since the Navy does not plan to use the \$16.4 million for service craft in fiscal year 1996 and did not request fiscal year 1997 funding for this item, the excess fiscal year 1996 funds can be rescinded. DOD included the \$16.4 million in its fiscal year 1996 omnibus reprogramming request.

Outfitting (Line 16)

The Navy's fiscal year 1997 request of \$92 million for outfitting can be reduced by \$44 million because the Navy Comptroller is withholding \$44 million in excess fiscal year 1996 funds that can be used to meet fiscal year 1997 program requirements. According to the Navy Comptroller's office, these excess funds are required in fiscal year 1997 and the President's budget reflected use of these funds to support fiscal year 1997 requirements. However, we could not verify the accuracy of the Navy's position because the Navy did not provide data to support its position. Therefore, unless the Navy can demonstrate that it offset its fiscal year 1997 budget requirements by the \$44 million in excess fiscal year 1996 funds, the Navy's fiscal year 1997 request should be reduced by that amount. DOD did not agree with the reduction but did not provide new information or further rationale for its position.

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Other Procurement, Navy

The Navy requested \$2.7 billion for other procurement programs in fiscal year 1997. As shown in table I.12, we identified potential reductions of \$46.5 million to the fiscal year 1997 request and potential rescissions of \$6.7 million from fiscal year 1996 appropriations.

Table I.12: Potential Reductions and Rescissions to Navy Other Procurement Programs

Dollars in millions				
Line no.	Line item description	Fiscal year 1997		
		Request	Potential reduction	Potential rescission (fiscal year 1996)
2	Allison 501K Gas Turbine	\$3.445	\$3.033	0
4	Other Propulsion Equipment	7.922	6.080	0
5	Other Generators	0.588	0.588	\$0.912
25	Hull, Mechanical, and Electrical Items Under \$2 Million	35.545	5.141	0
34	Standard Boats	4.576	4.576	1.337
44	MK-23 Target Acquisition System	1.347	1.347	1.551
49	SSN Acoustics	44.134	12.463	0
54	Surface Ship Torpedo Defense	5.701	5.101	0
60	AN/SLQ-32	6.358	1.000	0
77	Enhanced Modular Signal Processor Multiyear Procurement	0	0	1.060
94	TADIX-B	4.243	2.365	0
109	Submarine Communication Equipment	29.430	1.200	0
145	Harpoon Support Equipment	0.097	0.097	1.855
151	Rolling Airframe Missile Guided Missile Launch System	50.765	2.124	0
153	Aegis Support Equipment	30.398	1.423	0
Total		\$224.549	\$46.538	\$6.715

Allison 501K Gas Turbine (Line 2)

The Navy's fiscal year 1997 request of \$3.4 million for the Allison 501K gas turbine program can be reduced by \$3 million because an equivalent amount of excess fiscal year 1996 funds are available to meet program requirements. According to Navy Comptroller officials, \$3 million in fiscal year 1996 funds was not needed for the program and was placed on hold pending the award of fiscal year 1997 contracts. Since these funds will not be used for the Allison 501K gas turbine program in fiscal year 1996, they can be used to offset the fiscal year 1997 budget request. DOD did not agree with this proposed reduction stating that the President's budget reflected a

\$3 million reduction for slow program execution. However, we were unable to independently corroborate or verify that the \$3 million reduction was reflected in the President's budget because DOD did not provide documentation or further rationale to support its position. Therefore, we continue to believe the reduction is warranted.

**Other Propulsion Equipment
(Line 4)**

The Navy's fiscal year 1997 request of \$7.9 million for other propulsion equipment can be reduced by \$6.1 million because an equivalent amount of excess fiscal year 1996 funds is available to meet program requirements. Fiscal year 1997 budget documents show that the fiscal year 1996 program needs \$6.1 million less than the amount provided. According to officials in the Navy Comptroller office, the excess funds are planned to be reprogrammed for the Isotta Fraschini Diesel Improvement Program in support of the Near-term Mine Warfare and Plan of Action and Milestones projects initiated by the Chief of Naval Operations. However, since these funds will not be used for other propulsion equipment in fiscal year 1996, they can be used to offset the fiscal year 1997 budget request. DOD did not agree with the reduction but did not provide new information or further rationale for its position.

Other Generators (Line 5)

If Congress does not approve DOD's reprogramming request, the Navy's fiscal year 1997 request of \$588,000 for other generators can be denied because an equivalent amount of excess fiscal year 1996 funds is available to meet program requirements, and \$912,000 of the fiscal year 1996 appropriation can be rescinded.

The Navy Comptroller placed \$1.7 million in fiscal year 1996 funds on hold. Comptroller officials told us that \$202,000 is required for a contract award, and that the remaining \$1.5 million is available for reprogramming. DOD included the \$1.5 million in its fiscal year 1996 omnibus reprogramming request. However, since the \$1.5 million is excess to fiscal year 1996 program requirements, \$588,000 can be used to offset the fiscal 1997 request and the remaining \$912,000 can be rescinded.

**Hull, Mechanical, and Electrical
Items Under \$2 Million
(Line 25)**

The Navy's fiscal year 1997 request of \$35.5 million for hull, mechanical, and electrical items under \$2 million each can be reduced by \$5.1 million because an equivalent amount of excess fiscal year 1996 funds is available to meet program requirements. Fiscal year 1997 budget documents show that the Navy needs \$5.1 million less than the amount provided for these items in fiscal year 1996. Navy Comptroller officials told us that Congress reduced this program by \$4.3 million in fiscal year 1996 and that the remaining \$800,000 will be used to support fiscal year 1997 requirements.

According to the officials, the President's budget reflected use of these funds to support fiscal year 1997 requirements. However, we could not verify the Navy's position because the Navy did not provide data to support its position. Therefore, unless the Navy can demonstrate that Congress reduced the fiscal year 1996 appropriation by \$4.3 million and that the Navy offset its fiscal year 1997 budget requirements by the \$800,000 in excess fiscal year 1996 funds, the Navy's fiscal year 1997 request should be reduced by \$5.1 million. DOD did not agree with the reduction but did not provide new information or further rationale for its position.

Standard Boats (Line 34)

If Congress does not approve DOD's reprogramming request, the Navy's fiscal year 1997 request of \$4.6 million for standard boats can be denied because an equivalent amount of excess fiscal year 1996 funds is available to meet program requirements, and \$1.3 million of the fiscal year 1996 appropriation can be rescinded.

The Navy Comptroller placed \$5.9 million in fiscal year 1996 funds on hold. Officials in the Comptroller's office told us that \$5.7 million of the withhold amount was available for reprogramming. DOD subsequently included the \$5.7 million in its fiscal year 1996 omnibus reprogramming request. According to the officials in the Navy Comptroller's office, the remaining \$200,000 will be used to support fiscal year 1997 requirements and the President's budget reflected use of the \$200,000 to support fiscal year 1997 requirements. However, we could not verify the Navy's position because the Navy did not provide data to support its position. Since \$5.7 million will not be used for standard boats in fiscal year 1996 and we could not verify that the Navy offset its fiscal year 1997 budget requirements by the \$200,000 in excess fiscal year 1996 funds, the Navy's fiscal year 1997 request should be reduced by \$4.6 million and the remaining \$1.3 million can be rescinded.

MK-23 Target Acquisition System (Line 44)

The Navy's fiscal year 1997 request of \$1.3 million for the MK-23 Target Acquisition System program can be denied because an equivalent amount of excess fiscal year 1996 funds is available to meet program requirements. In addition, \$1.6 million in excess fiscal year 1996 funds can be rescinded.

The Navy Comptroller placed \$2.9 million in fiscal year 1996 funds on hold. According to the Navy Comptroller's office, these excess funds are required in fiscal year 1997 and the President's budget reflected use of these funds to support fiscal year 1997 requirements. However, we could not verify the accuracy of the Navy's position because the Navy did not

provide data to support its position. Therefore, unless the Navy can demonstrate that it offset its fiscal year 1997 budget requirements by the \$2.9 million in excess fiscal year 1996 funds, the Navy's fiscal year 1997 request can be reduced by \$1.3 million and the remaining \$1.6 million can be rescinded. DOD did not agree with the proposed reduction but did not provide new information or further rationale for its position.

SSN Acoustics (Line 49)

If Congress does not approve DOD's reprogramming request, the Navy's fiscal year 1997 request of \$44.1 million for the SSN acoustics program can be reduced by about \$12.5 million because an equivalent amount of excess fiscal year 1996 funds is available to meet program requirements. Fiscal year 1997 budget documents show that the program needs \$40.9 million for fiscal year 1996, or about \$1 million less than the adjusted amount provided for the program. Also, the Navy Comptroller is withholding \$11.4 million in fiscal year 1996 funds and plans to reprogram these funds to higher priority programs. DOD included about \$10.3 million of the excess fiscal year 1996 funds in its fiscal year 1996 omnibus reprogramming request. However, since these funds are not needed for the SSN acoustics program in fiscal year 1996, they can be used to offset the Navy's fiscal year 1997 budget request.

Surface Ship Torpedo Defense (Line 54)

If Congress does not approve DOD's reprogramming request, the Navy's fiscal year 1997 request of \$5.7 million for the Surface Ship Torpedo Defense program can be reduced by \$5.1 million because an equivalent amount of excess fiscal year 1996 funds is available to meet program requirements. The Navy Comptroller placed \$5.1 million in fiscal year 1996 funds on hold. According to the Navy Comptroller's office, these excess funds are required in fiscal year 1997 and the President's budget reflected use of these funds to support fiscal year 1997 requirements. However, we could not verify the accuracy of the Navy's position because the Navy did not provide data to support its position. Therefore, unless the Navy can demonstrate that it offset its fiscal year 1997 budget requirements by the \$5.1 million in excess fiscal year 1996 funds, the Navy's fiscal year 1997 request should be reduced by that amount.

DOD commented that the President's budget reflected a \$4.2 million reduction for slow program execution and provided documentation that \$900,000 in excess fiscal year 1996 funds were included in the fiscal year 1996 omnibus reprogramming request. Because DOD did not provide new information or further rationale for its position on the \$4.2 million reduction, we believe the Navy's fiscal year 1997 request can be reduced by \$5.1 million if the \$900,000 is not reprogrammed.

AN/SLQ-32 (Line 60)

The Navy's fiscal year 1997 request of \$6.4 million for the AN/SLQ-32 program can be reduced by \$1 million because an equivalent amount of excess fiscal year 1996 funds is available to meet program requirements. The Navy Comptroller placed \$1 million in fiscal year 1996 funds on hold. According to the Navy Comptroller's office, these excess funds are required in fiscal year 1997 and the President's budget reflected use of these funds to support fiscal year 1997 requirements. However, we could not verify the accuracy of the Navy's position because the Navy did not provide data to support its position. Therefore, unless the Navy can demonstrate that it offset its fiscal year 1997 budget requirements by the \$1 million in excess fiscal year 1996 funds, the Navy's fiscal year 1997 request should be reduced by that amount. DOD did not agree with the reduction but did not provide new information or further rationale for its position.

Enhanced Modular Signal Processor Multiyear Procurement (Line 77)

Of the Navy's fiscal year 1996 appropriation for the Enhanced Modular Signal Processor multiyear procurement program, \$1.1 million can be rescinded because these funds are excess to program requirements. Fiscal year 1997 budget documents show that the program needs only \$25.3 million for fiscal year 1996, or \$1.1 million less than the amount provided. Since the Navy does not plan to buy additional processors in fiscal year 1997, the \$1.1 million in excess fiscal year 1996 funds can be rescinded. DOD did not agree with the reduction stating the fiscal year 1996 program was reduced by \$1.1 million to reflect undistributed congressional reductions, but this does not indicate excess funds based on reduced requirements. No documentation or further rationale was provided to support its position.

TADIX-B (Line 94)

If Congress does not approve DOD's reprogramming request, the Navy's fiscal year 1997 request of \$4.2 million for the TADIX-B program can be reduced by \$2.4 million because an equivalent amount of excess fiscal year 1996 funds is available to meet program requirements. Navy Comptroller officials told us that \$2.4 million in unobligated fiscal year 1996 funds is on hold pending the fiscal year 1996 omnibus reprogramming request for higher priority items. DOD subsequently included \$2 million of the excess fiscal year 1996 funds in its fiscal year 1996 omnibus reprogramming request. However, officials from the Navy Comptroller's office said the requirement for TADIX-B terminals will continue. Because the \$2.4 million will not be used for the TADIX-B program in fiscal year 1996, it can be used to offset the fiscal year 1997 budget request if the reprogramming request is not approved. If it is approved, \$400,000 could be still used to offset the budget request.

Submarine Communication Equipment (Line 109)

If Congress does not approve DOD's reprogramming request, the Navy's fiscal year 1997 request of \$29.4 million for submarine communications equipment can be reduced by \$1.2 million because an equivalent amount of excess fiscal year 1996 funds is available to meet program requirements. Navy Comptroller officials told us that \$1.2 million in unobligated fiscal year 1996 funds is on hold pending the fiscal year 1996 omnibus reprogramming request for higher priority programs. DOD subsequently included this amount in its fiscal year 1996 omnibus reprogramming request. However, Navy Comptroller officials said the requirement for which the funds were originally provided is still valid. Since the Navy does not plan to use these funds for submarine communications equipment in fiscal year 1996, they can be used to offset the fiscal year 1997 budget request.

Harpoon Support Equipment (Line 145)

The Navy's fiscal year 1997 request of \$97,000 for the Harpoon support equipment can be denied because an equivalent amount of excess fiscal year 1996 funds is available to meet program requirements, and \$1.9 million of the \$2.9 million fiscal year 1996 appropriation can be rescinded.

The Navy Comptroller placed \$2 million in unobligated fiscal year 1996 funds on hold. According to the Navy Comptroller's office, these excess funds are required in fiscal year 1997 and the President's budget reflected use of these funds to support fiscal year 1997 requirements. However, we could not verify the accuracy of the Navy's position because the Navy did not provide data to support its position. Therefore, unless the Navy can demonstrate that it offset its fiscal year 1997 budget requirements by the \$2 million in excess fiscal year 1996 funds, the Navy's fiscal year 1997 request should be denied and the remaining \$1.9 million can be rescinded. DOD did not agree with the reduction but did not provide new information or further rationale for its position.

Rolling Airframe Missile Guided Missile Launch System (Line 151)

The Navy's fiscal year 1997 request of \$50.8 million for the Rolling Airframe Missile Guided Missile Launch System program can be reduced by \$2.1 million because an equivalent amount of excess fiscal year 1996 funds is available to meet program requirements. The Navy Comptroller placed \$2.1 million in fiscal year 1996 funds on hold. According to the Navy Comptroller's office, these excess funds are required in fiscal year 1997 and the President's budget reflected use of these funds to support fiscal year 1997 requirements. However, we could not verify the accuracy of the Navy's position because the Navy did not provide data to support its position. Therefore, unless the Navy can demonstrate that it offset its

fiscal year 1997 budget requirements by the \$2.1 million in excess fiscal year 1996 funds, the Navy's fiscal year 1997 request should be reduced by that amount. DOD did not agree with the reduction but did not provide new information or further rationale for its position.

**Aegis Support Equipment
(Line 153)**

The Navy's fiscal year 1997 request of \$30.4 million for the Aegis Support Equipment program can be reduced by \$1.4 million because an equivalent amount of excess fiscal year 1996 funds is available to meet program requirements. Fiscal year 1997 budget documents show that the program needs \$1.4 million less than the amount provided for fiscal year 1996. The Navy Comptroller placed \$953,000 of the fiscal year 1996 funds on hold. According to the Navy Comptroller's office, these excess funds are required in fiscal year 1997 and the President's budget reflected use of these funds to support fiscal year 1997 requirements. However, we could not verify the accuracy of the Navy's position because the Navy did not provide data to support its position. Therefore, unless the Navy can demonstrate that it offset its fiscal year 1997 budget requirements by the \$1.4 million in excess fiscal year 1996 funds, the Navy's fiscal year 1997 request should be reduced by that amount. DOD did not agree with the reduction but did not provide new information or further rationale for its position.

Procurement, Marine Corps

The Marine Corps requested \$555.5 million for procurement programs in fiscal year 1997. As shown in table I.13, we identified a potential reduction of \$2.6 million to the fiscal year 1997 request for one item. We did not identify any potential rescissions to prior years appropriations.

Table I.13: Potential Reduction to the Marine Corps Procurement Programs

		Dollars in millions	
		Fiscal year 1997	
Line no.	Line item description	Request	Potential reduction
3	.50 Caliber	\$6.052	\$2.600
	Total	\$6.052	\$2.600

.50 Caliber (Line 3)

The Marine Corps' fiscal year 1997 request of \$6.1 million for .50 caliber ammunition can be reduced by \$2.6 million because an equivalent amount of excess fiscal year 1996 funds in the Procurement of Ammunition, Navy and Marine Corps appropriation is available to meet program needs.

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Program office officials told us that the planned fiscal year 1996 buy of .50 caliber ball linked ammunition would have caused the Marine Corps to exceed the acquisition objective for this item. The Navy Comptroller placed the \$2.6 million in excess fiscal year 1996 funds on hold pending a review of program requirements. The Navy plans to reprogram the \$2.6 million in fiscal year 1996 funds for a nonlethal weapons program. The Under Secretary of Defense for Acquisition and Technology directed the services to implement the nonlethal weapons program in March 1996. Since these funds are no longer needed for .50 caliber linked ammunition in fiscal year 1996, they can be used to offset fiscal year 1997 requirements. DOD did not agree with the reduction but did not provide new information or further rationale for its position.

Air Force Procurement Programs

The Air Force requested \$14.5 billion for procurement programs in fiscal year 1997. As shown in table I.14, we identified potential reductions of \$460.1 million to the fiscal year 1997 request, a potential rescission of \$8.6 million from the fiscal year 1996 appropriation, and potential rescissions of \$26.7 million from the expiring fiscal year 1994 appropriation.

Table I.14: Potential Reductions and Rescissions to Air Force Procurement Programs

Procurement appropriation	Fiscal year 1997		Potential rescission	
	Request ^a	Potential reduction	Fiscal year 1996	Fiscal year 1994
Aircraft	\$1,262.827	\$321.097	\$8.600	0
Missile	1,207.252	139.009	0	\$20.500
Other	16.144	0	0	6.200
Total	\$2,486.223	\$460.106	\$8.600	\$26.700

^aThis is the amount requested for budget line items for which we have identified a potential reduction and/or rescission.

Aircraft Procurement, Air Force

The Air Force requested \$5.8 billion for aircraft procurement programs in fiscal year 1997. As shown in table I.15, we identified potential reductions of about \$321.1 million to the fiscal year 1997 request and a potential rescission of \$8.6 million from the fiscal year 1996 appropriation.

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Table I.15: Potential Reductions and Rescission to Air Force Aircraft Procurement Programs

Dollars in millions			
		Fiscal year 1997	
Line no.	Line item description	Request	Potential reduction
12	C-130J	\$62.890	\$62.890
14	Joint Primary Aircraft Training System	67.135	67.135
18	C-20A	113.805	13.700
28	F-15 Aircraft Modifications	179.318	22.300
60	Aircraft Spares	314.745	116.200
61	Common Aerospace Ground Equipment	176.422	16.179
63	F-16 Post Production Support	81.562	10.654
66	War Consumables	56.296	4.039
67	Miscellaneous Production Charges	210.654	8.000
Total		\$1,262.827	\$321.097
		\$8.600	

C-130J (Line 12)

The Air Force's fiscal year 1997 request of \$62.9 million for a C-130J aircraft can be denied if the Air Force postpones the C-130J procurement to fiscal year 1998. According to a program budget document, the fiscal year 1998 cost includes a quantity discount that starts with the procurement of two or more aircraft. For example, the average airframe unit cost is projected to decrease from \$51.9 million for one aircraft in fiscal year 1997 to \$43.6 million for two aircraft in fiscal year 1998. Because the C-130J is also produced under foreign military sales contracts, postponing procurement until fiscal year 1998 will not cause a break in production. DOD did not agree with the reduction stating that the fiscal year 1997 C-130J buy will be more than one aircraft. However, it only requested funding for one aircraft and did not provide new information on its procurement plans.

Joint Primary Aircraft Training System (Line 14)

The Air Force's fiscal year 1997 request of \$67.1 million for the Joint Primary Aircraft Training System can be denied because an equivalent amount of prior year funds is available to meet fiscal year 1997 program requirements.

Program officials stated that the fiscal year 1995 and 1996 budget requests and subsequent appropriations were set at levels to cover the planned quantity and expected unit prices for several contractors who submitted bids on the contract. However, the Air Force contracted for the approved

quantity at a unit price lower than anticipated. The differences between the funds provided and those needed are \$40.5 million for fiscal year 1995 and \$35.2 million for fiscal year 1996. The Air Force can use these excess funds to offset the fiscal year 1997 request, and the \$8.6 million balance can be rescinded from either fiscal year 1995 or 1996. DOD commented that the excess funds have already been identified to Congress as a source for other high priority needs and are not available to the Air Force. Nevertheless, the excess funds were provided for procuring the Joint Primary Aircraft Training System and could be used to offset fiscal year 1997 requirements.

C-20A (Line 18)

The Air Force's fiscal year 1997 request of \$113.8 million for the C-20A aircraft, or Small VCX, can be reduced by \$13.7 million because the fiscal year 1997 requirement is overstated. The operational requirements document, which is being prepared, defines an Air Force requirement for 2 small, commercial, 12-passenger business-type jets equipped with commercial communications equipment. The budget request, however, includes \$10 million for design and development of a more robust communication suite. A program official stated that the \$10 million was included as a contingency in case Headquarters, Air Force, revised the requirements documents to include a more robust suite; or, alternatively, a potential contractor submitted a proposal for a larger commercial type aircraft. Further, although this is to be a commercial off-the-shelf type procurement, the request includes \$3.7 million for engineering change proposals. A program official stated that engineering changes may be needed to incorporate commercial service bulletins that could be issued while the aircraft is being produced.

DOD commented that the \$13.7-million requirement was based on industry estimates for mission configuration changes and known communications modification needs. However, program officials told us they were not aware of these needs and could provide no documentation to support DOD's position. Therefore, we continue to believe the reduction is warranted.

**F-15 Aircraft Modifications
(Line 28)**

The Air Force's fiscal year 1997 request of \$33.7 million for the Multifunctional Information Distribution System/fighter data link program, included in this budget line, can be reduced by \$22.3 million because fiscal year 1997 requirements are overstated. The remaining \$11.4 million is needed to complete the qualification efforts of prototype systems (\$4 million) and for a simulator upgrade (\$7.4 million).

The Air Force planned to award the fiscal year 1997 modification contract for this data link during the first quarter of fiscal year 1997. However, because of a schedule slip, contract award has slipped to November 1997, or the first quarter of fiscal year 1998. Therefore, not all of the fiscal year 1997 funding is needed. DOD agreed with the reduction.

Aircraft Spares (Line 60)

The Air Force's fiscal year 1997 request of \$314.7 million for aircraft spares can be reduced by \$116.2 million—\$36 million for C-17 spares, \$44.9 million for B-2 spares, and \$35.3 million for other spares—because excess fiscal year 1994, 1995, and 1996 funds are available to meet program requirements.

The Air Force's fiscal year 1997 request of \$61.4 million for C-17 aircraft spares can be reduced by \$36 million because the Air Force has excess prior year funds that Air Force officials informed us will be used to offset fiscal year 1997 requirements. Program officials agreed that they do not need about \$36 million for C-17 spares in fiscal year 1997. However, they disagreed with the reduction, stating that they would like to use the excess funds for future requirements and a reduction would require them to reduce other critical needs in future years. Nevertheless, the \$36 million is not needed in fiscal year 1997 and can be requested when needed in the future.

The Air Force's fiscal year 1997 request of \$44.9 million for B-2 aircraft spares can be denied and other fiscal year 1997 aircraft spares requests can be reduced by \$35.3 million because the Air Force overestimated the amount of funds required to reimburse the stock fund by \$80.2 million for fiscal years 1994 through 1997. Program officials agreed that the B-2 program will have \$80.2 million in excess spares funding if the fiscal year 1997 B-2 spares request is approved.

DOD disagreed with the proposed reduction and provided data on C-17 and B-2 spares requirements. In analyzing this data, we determined that our initial conclusion on the amount of excess funds for B-2 spares was understated; therefore, we have modified that portion of the proposed reduction.

Common Aerospace Ground Equipment (Line 61)

The Air Force's fiscal year 1997 request of \$176.4 million for common aerospace ground equipment can be reduced by \$16.2 million because excess fiscal year 1996 funds are available to meet fiscal year 1997 program requirements. The Air Force received \$16.2 million in fiscal year 1996 funding to purchase 231 self-generating nitrogen systems. The

systems did not meet specifications and, as a result, the Air Force will not procure them during fiscal year 1996 or 1997. Air Force officials disagreed that these funds are excess and stated that they could be used for other requirements. DOD did not agree with the reduction but did not provide new information or further rationale for its position.

**F-16 Post Production Support
(Line 63)**

The Air Force's fiscal year 1997 request of \$81.6 million for F-16 post production support can be reduced by \$10.7 million because the fiscal year 1997 request is overstated by \$6.7 million and \$4 million in excess fiscal year 1996 funds are available to offset the request.

The Air Force included \$4 million for F-16 sustainment costs in both the fiscal year 1996 F-16 Aircraft Procurement and F-16 Post Production Support budget lines. F-16 program officials agreed that the same costs were counted twice. Also, assuming no further F-16 procurement would be authorized, the Air Force's fiscal year 1997 request for post production support included termination costs for the F-16 aircraft production contract. However, the Air Force has decided to continue F-16 production well into the year 2000; therefore, fiscal year 1997 funding for termination costs is no longer justified. The program office agreed that the fiscal year 1997 request was overstated by \$6.7 million.

DOD commented that the excess funds are needed to support F-16 procurement; however, it did not provide new information or further rationale for its position. Therefore, we continue to believe the reduction is warranted.

War Consumables (Line 66)

The Air Force's fiscal year 1997 request of \$56.3 million for war consumables can be reduced by \$4 million because fiscal year 1997 requirements are overstated. The Air Force planned to purchase 158 inboard pylons as war reserves for F-15E aircraft at a unit price of \$130,532. However, after submitting the fiscal year 1997 budget request, the Air Force determined that existing pylons could be retrofitted at an estimated cost of \$93,700 per retrofit.

According to the Air Force Material Command officials, the Air Force has a requirement for 177 pylons rather than 158. Therefore, they recommended increasing the retrofit quantity to 177 to meet the total requirement. Retrofitting 177 pylons will cost \$16.6 million, rather than the \$20.6 million requested and, therefore, the fiscal year 1997 request can be reduced by \$4 million. DOD agreed with the reduction.

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Miscellaneous Production Charges (Line 67)

The Air Force's fiscal year 1997 request of \$40.2 million for the NAVSTAR Global Positioning System, included in this budget line, can be reduced by \$8 million because an equivalent amount of excess fiscal year 1995 funds is available to meet program needs.

The Air Force overestimated the amount of funding required for testing in fiscal year 1995 by \$8 million. A recent internal review by the program office identified these funds as excess after reviewing program requirements. Although DOD commented that it included these excess funds in the fiscal year 1996 omnibus reprogramming request, the funds were not included. Therefore, we have not changed our position.

Missile Procurement, Air Force

The Air Force requested \$2.7 billion for missile procurement programs in fiscal year 1997. As shown in table I.16, we identified potential reductions of \$139 million to the fiscal year 1997 request and \$20.5 million in potential rescissions from expiring fiscal year 1994 appropriations.

Table I.16: Potential Reductions and Rescissions to Air Force Missile Procurement Programs

Line no.	Line item description	Fiscal year 1997		
		Request	Potential reduction	Potential rescission (fiscal year 1994)
7	Advanced Medium Range Air-to-Air Missile	\$116.299	\$8.400	0
20	Global Positioning (Multiyear Procurement) Space	171.135	0	\$5.000
23	Space Shuttle Operations Space	52.500	10.800	0
24	Space Boosters Space	489.606	40.800	0
25	Medium Launch Vehicle Space	135.361	4.000	2.500
26	Medium Launch Vehicle Space Advance Procurement	40.238	9.050	0
28	Defense Support Program (Multiyear Procurement) Space	70.967	62.900	13.000
48	Sensor Fuzed Weapon	131.146	3.059	0
Total		\$1,207.252	\$139.009	\$20.500

Advanced Medium Range Air-to-Air Missile (Line 7)

The Air Force's fiscal year 1997 request of \$116.3 million for the Advanced Medium Range Air-to-Air Missile can be reduced by \$8.4 million because fiscal year 1997 requirements are overstated by \$5.4 million and, unless Congress approves DOD's reprogramming request, \$3 million in excess fiscal year 1995 funds is available to meet fiscal year 1997 program needs.

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The Air Force's fiscal year 1997 request can be reduced by \$5.4 million because of schedule changes for beginning upgrades for depot equipment and initial overestimates of engineering change orders. Funding for the depot upgrades to provide a capability to test missiles with product improvements can be reduced by \$2.3 million because the Air Force does not plan to begin the upgrade until fiscal year 1998. Therefore, the Air Force can request the \$2.3 million in its fiscal year 1998 budget submission. The program office agreed. Funding for engineering change orders can be reduced by \$3.1 million because in previous Advanced Medium Range Air-to-Air Missile budget requests and in accordance with Air Force guidance, the program office used recurring missile hardware cost to estimate the engineering change orders. However, for fiscal year 1997, the program office based its estimate on total fly-away costs, which include nonrecurring costs such as production test and support, technical services, and value engineering, in addition to the recurring hardware cost. Using total fly-away costs overstated the fiscal year 1997 funding requirement by \$3.1 million. Program office officials stated this missile is a complex weapon system that justifies increased funds for engineering change orders. However, the Air Force has purchased over 6,000 missiles and will award the 11th contract for missiles in fiscal year 1997. In addition, other Air Force programs use a lower percentage for estimating engineering changes.

If Congress does not approve DOD's reprogramming request, the Air Force's fiscal year 1997 request can be reduced by an additional \$3 million because an equivalent amount of excess fiscal year 1995 funds is available to meet program requirements. The missile's program office identified \$3 million in fiscal year 1995 funds as excess to program requirements. According to program officials, the funds were requested for engineering changes but were not required for that purpose. DOD included the funds in its fiscal year 1996 omnibus reprogramming request. However, they could be used to offset fiscal year 1997 requirements.

DOD agreed that the fiscal year 1997 request is overstated by \$2.3 million but did not agree with the \$3.1-million reduction for engineering change orders. DOD stated that this would reduce funding for these changes to an inadequate level. However, our estimates are based on the same factors provided by the program office and we followed the same methodology used by the Air Force in prior years. Therefore, we continue to believe that the Air Force overstated its funding needs

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Global Positioning (Multiyear Procurement) Space (Line 20)	If Congress does not approve DOD's reprogramming request, \$5 million can be rescinded from the Air Force's fiscal year 1994 appropriation of \$171.8 million for the NAVSTAR Global Positioning System because the funds are no longer needed for the Block IIR program. The \$5 million in excess fiscal year 1994 funds will expire if not obligated by September 30, 1996, and, therefore, is available for reprogramming or rescission during the remainder of fiscal year 1996. DOD included these excess funds in its fiscal year 1996 omnibus reprogramming request.
Space Shuttle Operations Space (Line 23)	The Air Force's fiscal year 1997 request of \$52.5 million for the Inertial Upper Stage Program can be reduced by \$10.8 million because excess fiscal year 1995 and 1996 funds are available to meet program requirements. Fiscal year 1995 funds are available because, according to program officials, \$6 million was budgeted for unanticipated problems that did not occur because of a near perfect fiscal year 1995 launch. These funds can be used to offset fiscal year 1997 requirements. In addition, program officials plan to obligate \$35.7 million of \$40.5 million provided in fiscal year 1996 for the integration and launch services production contract and use the remaining \$4.8 million for unanticipated problems. However, the program office has an additional \$5.1 million in fiscal year 1996 management reserve funds for similar purposes. Therefore, the excess \$4.8 million in fiscal year 1996 funds can also be used to reduce the fiscal year 1997 budget request. DOD did not agree with the reduction but did not provide new information or further rationale for its position.
Space Boosters Space (Line 24)	The Air Force's fiscal year 1997 budget request of \$489.6 million for Space Boosters Space can be reduced by \$40.8 million because fiscal year 1997 requirements are overstated by \$20.8 million and, unless Congress approves DOD's reprogramming request, \$20 million in excess fiscal year 1996 funds is available to meet fiscal year 1997 program needs. These reductions are possible because (1) funds associated with nonrecurring costs for follow-on procurement are not needed at this time, (2) funds for launch operations are to be augmented by a classified user, (3) contract award for launch site support was delayed, and (4) production contract costs were lower than expected.

According to Air Force program officials, the \$69.8 million requested for the follow-on Titan IV procurement of two vehicles (numbers 42 and 43) included \$28.4 million for nonrecurring costs associated with five additional launch vehicles (numbers 42 through 46). The Air Force is re-evaluating its acquisition strategy for this follow-on procurement and does not plan to have the results until April 1997. Funds for the last two

vehicles (numbers 45 and 46) would not normally be needed until fiscal years 1999 and 2000, respectively, and there is no justification for accelerating this effort. The nonrecurring effort associated with these last two vehicles is estimated at \$11.4 million and, therefore, the fiscal year 1997 budget request can be reduced by this amount.

The fiscal year 1997 request of \$127.1 million for Titan IV launch operations was based on plans to receive \$83 million from a classified user. However, subsequent to the budget submission, the Air Force revised the cost-sharing arrangement between the Air Force and the classified user for launch operations, increasing the amount of funds to be provided by the classified user by \$9.4 million, or a total of \$92.4 million. According to Air Force program officials, launch operation requirements did not increase in connection with this adjustment, nor did the Air Force reduce its launch operations request by an equivalent amount. The Air Force now plans to use this additional \$9.4 million for Titan IV follow-on production and contract close-out costs and not for launch operations; therefore, these funds can be used to reduce the fiscal year 1997 budget request.

Additionally, DOD included \$20 million in excess fiscal year 1996 funds in its fiscal year 1996 omnibus reprogramming request. These funds are no longer needed because of a delay in the award of a contract for launch site support (\$17.3 million) and lower than expected claims against the production contract (\$2.7 million). If Congress does not approve DOD's reprogramming request, the funds can be used to offset the fiscal year 1997 request.

DOD commented that the fiscal year 1997 request did not include \$11.4 million for nonrecurring costs for Titan IV and the additional \$9.4 million was received to offset higher than expected negotiated values for new production and launch operations contracts. However, DOD did not provide new documentation or further rationale for its position.

**Medium Launch Vehicle Space
(Line 25)**

The Air Force's fiscal year 1997 request of \$135.4 million for the Medium Launch Vehicle Space can be reduced by \$4 million because excess fiscal year 1996 funds are available to meet program requirements. Program officials stated that the Air Force budgeted an additional \$4 million in fiscal year 1996 for launch pad repair work that can be funded by expiring prior year funds. These excess fiscal year 1996 funds can be used to offset the fiscal year 1997 request.

In addition, if Congress does not approve DOD's reprogramming request, \$2.5 million can be rescinded from the fiscal year 1994 appropriation of \$109.5 million for the Medium Launch Vehicles because the Delta II Medium Launch Vehicle program has \$2.5 million in fiscal year 1994 funds that are excess to program needs. Program officials stated that although \$5.5 million was budgeted for launch pad repair work, the current estimated cost of the work is only \$3 million. The resulting \$2.5 million in excess fiscal year 1994 funds will expire if not obligated by September 30, 1996, and, therefore, is available for reprogramming or rescission during the remainder of fiscal year 1996. DOD included the \$2.5 million in its fiscal year 1996 omnibus reprogramming request.

Medium Launch Vehicle Space Advance Procurement (Line 26)

If Congress does not approve DOD's reprogramming requests, the Air Force's fiscal year 1997 request of \$40.2 million for the Delta II Medium Launch Vehicle can be reduced by about \$9.1 million because excess fiscal year 1996 funds are available to meet program requirements. Program officials stated that the funds were for advance procurement of long lead items for a Delta II launch vehicle in fiscal year 1997, but this requirement was subsequently deleted from the Air Force's fiscal year 1997 budget request. Therefore, the excess fiscal year 1996 funds can be used to offset the fiscal year 1997 budget request.

DOD did not agree with the reduction stating that it included \$523,000 of these excess funds in its fiscal year 1996 omnibus reprogramming request and has identified the remaining \$8.527 million for possible use to pay for Bosnia operations.

Defense Support Program (Multiyear Procurement) Space (Line 28)

If Congress does not approve DOD's reprogramming request, the Air Force's fiscal year 1997 request of \$71 million for the Defense Support Program multiyear procurement can be reduced by \$62.9 million because an equivalent amount of excess prior years' funds is available to meet fiscal year 1997 program needs. The excess funds, \$35 million and \$27.9 million in fiscal years 1995 and 1996, respectively, can be used to offset the fiscal year 1997 budget request.

Fiscal year 1995 funds are available due to restructuring of the block 18 production contract, reduced launch service requirements, and cancellation of laser cross links. DOD included \$31.9 million of the excess fiscal year 1995 funds in the fiscal year 1996 omnibus reprogramming request. Fiscal year 1996 funds are available because program requirements were reduced. Program officials stated that excess fiscal

year 1996 funding is needed to meet unfunded fiscal year 1997 program requirements.

In addition, if Congress does not approve DOD's reprogramming request, \$13 million of the Air Force's \$350.3 million fiscal year 1994 appropriation for the program can be rescinded because these funds are excess to program requirements. In fiscal year 1995, this program received \$54 million in reprogrammed fiscal year 1994 funds for contractor claims. In fiscal year 1996, these claims were settled for \$41 million—\$13 million less than the amount needed. The \$13 million in excess fiscal year 1994 funds will expire if not obligated by September 30, 1996, and, therefore, is available for reprogramming or rescission during the remainder of fiscal year 1996. DOD included the \$13 million in its fiscal year 1996 omnibus reprogramming request.

DOD did not agree with the reduction but provided no new information or further rationale to support its position.

Sensor Fuzed Weapon (Line 48)

The Air Force's fiscal year 1997 request of \$131.1 million for the Sensor Fuzed Weapon can be reduced by \$3.1 million because excess fiscal year 1996 funds in the Procurement of Ammunition, Air Force, appropriation are available to meet program needs. A contracting official said the fiscal year 1996 contract was awarded for about \$3.1 million less than budgeted. Therefore, the excess funding can be used to offset the fiscal year 1997 budget request.

A program management official agreed that the funds were not required for the contract; however, he would like to use the funds for potential engineering changes that could result from a study to extend the weapon's shelf life. But, since the study has not begun, he could not identify the specific changes required nor the cost. He also said if changes were not required, he would like to use the funding to buy more weapons. DOD did not agree with the reduction but did not provide new information or further rationale for its position.

Other Procurement, Air Force

The Air Force requested \$6 billion for other procurement programs in fiscal year 1997. We did not identify any potential reductions to the fiscal year 1997 request. However, as shown in table I.17, we identified \$6.2 million in potential rescissions from expiring fiscal year 1994 appropriations.

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Table I.17: Potential Rescissions to Air Force Other Procurement Programs

Dollars in millions				Fiscal year 1997
Line no.	Line item description	Request	Potential reduction	Potential rescission (fiscal year 1994)
63	Defense Support Program	0	0	\$5.000
68	Air Force Satellite Control Network	\$16.144	0	1.200
Total		\$16.144	0	\$6.200

Defense Support Program
 (Line 63)

Five million dollars of the Air Force's \$28.4 million fiscal year 1994 appropriation for the Defense Support Program can be rescinded because these funds were provided for engineering change orders and management risk, but the program office has identified the funding as excess to its needs. The \$5 million in excess fiscal year 1994 funds will expire if not obligated by September 30, 1996, and, therefore, is available for reprogramming or rescission during the remainder of fiscal year 1996.

DOD commented that it included \$3.5 million in its fiscal year 1996 omnibus reprogramming request and the remaining \$1.5 million has been earmarked for upward obligation adjustments in the expired account. However, the \$3.5 million was not included in the fiscal year 1996 omnibus reprogramming request, and DOD did not provide data to support its position that the remaining \$1.5 million was needed in the expired account. Therefore, we continue to believe the reduction is warranted.

Air Force Satellite Control Network (Line 68)

Of the Air Force's fiscal year 1994 appropriation of \$30.1 million for the Satellite Control Network, \$1.2 million can be rescinded because the funds are excess to program needs. Program officials identified these funds as excess to program needs because contract award costs were \$1.2 million less than the amount budgeted. These funds will expire if not obligated by September 30, 1996; therefore, they are available for reprogramming or rescission during the remainder of fiscal year 1996. DOD commented that the funds have been committed as a contingent liability for a cost overrun on an engineering change proposal. However, it did not provide documentation for its position.

Defense-Wide Procurement Programs

DOD requested \$1.8 billion for Defense-wide procurement programs in fiscal year 1997. As shown in table I.18, we identified a potential reduction of \$15.2 million to the fiscal year 1997 request for one item. We did not identify any potential rescissions from prior years' appropriations.

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Table I.18: Potential Reduction to Defense-wide Procurement Programs

		Dollars in millions	Fiscal year 1997	
Line no.	Line item description		Potential Request	reduction
45	C-130 Modifications		\$86.677	\$15.200
	Total		\$86.677	\$15.200

**C-130 Modifications
(Line 45)**

The Special Operations Command's fiscal year 1997 request of \$86.7 million for C-130 aircraft modifications can be reduced by \$15.2 million, the amount requested to procure seven directional infrared radar countermeasures systems in fiscal year 1997, because the system's operational effectiveness and suitability have not been proven. However, operational test and evaluation is not scheduled to begin until August 1997 and will not end until after fiscal year 1997. Additionally, during our review project office officials expressed concern about limitations of a major component of the system and said they were considering fielding the system without this component. Buying systems with known problems before they have been proven through operational testing can result in the procurement of unsatisfactory weapons requiring costly modifications to achieve satisfactory performance and, in some cases, deployment of substandard systems to combat forces. We believe, therefore, that the Command could postpone this procurement until the system has been proven in operational tests.

DOD commented that (1) development testing to date has demonstrated that all components and system level performance meet or exceed specified requirements; (2) reducing the fiscal year 1997 funding will result in cost growth and schedule delay; and (3) before buying the system, the system will complete environmental qualification, specification compliance, and operational suitability testing. Although simulations and laboratory testing provides valuable information about the system and its components, DOD has previously taken the position that they are not adequate substitutes for operational testing. This is why operational testing is still a requirement in DOD regulations. Although testing on a C-130 test aircraft is scheduled for May 1997 and the production option decision is scheduled for June 1997, testing on operational C-130 Mission Designator Series aircraft is not scheduled until after the production decision. Therefore, we have not changed our position.

Potential Reductions and Rescissions to Research, Development, Test, and Evaluation Programs

DOD requested \$34.7 billion in research, development, test, and evaluation (RDT&E) funding for fiscal year 1997. As shown in table II.1, our review of selected budget line items in the request and prior years' appropriations identified potential reductions of \$224.2 million to fiscal year 1997 requests and potential rescissions of about \$3.8 million from expiring fiscal year 1995 appropriations. We did not identify any potential rescissions from fiscal year 1996 appropriations.

Table II.1: Potential Reductions and Rescissions to RDT&E Programs

	Dollars in millions		
	Fiscal year 1997		
	Request ^a	Potential reduction	Potential rescission (fiscal year 1995)
Army	\$41.478	\$3.892	\$0.142
Navy	703.644	19.698	0
Air Force	309.187	26.908	2.800
Defense-wide	1,634.781	173.724	0.821
Total	\$2,689.090	\$224.222	\$3.763

^aThis is the amount requested for the budget line items for which we have identified a potential reduction and/or rescission.

Army RDT&E Programs

The Army requested \$4.3 billion for RDT&E programs in fiscal year 1997. As shown in table II.2, we identified a potential reduction of about \$3.9 million to the fiscal year 1997 request for one item and a potential rescission of \$142,000 from expiring fiscal year 1995 appropriation for another item.

Table II.2: Potential Reduction and Rescission to Army RDT&E Programs

	Dollars in millions		
	Fiscal year 1997		
Line no.	Line item description	Request	Potential reduction
32	Aviation Advanced Technology	\$41.478	\$3.892
89	Tri-Service Standoff Attack Missile	0	0
	Total	\$41.478	\$3.892
			\$0.142

**Aviation Advanced
Technology (Line 32)**

If DOD does not approve the Army's reprogramming request, the Army's fiscal year 1997 request of \$41.5 million for aviation advanced technology can be reduced by \$3.9 million because an equivalent amount of excess fiscal year 1996 funds is available to meet program requirements. Congress added \$4 million to the fiscal year 1996 request for Improved Cargo Helicopter Technology. According to the program office, about \$100,000 has been used to pay bills, and DOD has withheld the remaining funds pending an internal reprogramming-related action. A program official also said that the program has received \$2.3 million from the Aircraft Modification/Product Improvement Program (line 167) for vibration testing, thereby reducing the severity of the impact of not receiving the withheld funds. Since the \$3.9 million in fiscal year 1996 funds is not being used for the purpose for which the funds were provided, the funds can be used to offset the fiscal year 1997 request.

**Tri-Service Standoff Attack
Missile (Line 89)**

Of the Army's fiscal year 1995 appropriation of \$1.2 million for the Tri-Service Standoff Attack Missile, \$142,000 can be rescinded because the program has been terminated and the Army has identified these funds as excess to program requirements. The Army terminated its participation in the program in fiscal year 1994, and DOD terminated the entire program in fiscal year 1995 because of significant development difficulties and growth in its expected unit cost.

DOD commented that the funds have been earmarked as part of the Army's portion of the out-of-court settlement for terminating the program. However, documentation provided to us by the program executive office for tactical missiles shows that the funds are excess to program needs. Therefore, we continue to believe that the funds can be rescinded.

**Navy RDT&E
Programs**

The Navy requested \$7.3 billion for RDT&E programs in fiscal year 1997. As shown in table II.3, we identified potential reductions of about \$19.7 million to the fiscal year 1997 requests for eight items. We did not identify any potential rescissions from prior years' appropriations.

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Table II.3: Potential Reductions to
Navy RDT&E Programs

		Dollars in millions		Fiscal year 1997	
Line no.	Line item description	Request		Potential reduction	
48	Ship Concept Advanced Design	\$13.807		\$3.400	
55	Advanced Warhead Development (MK-50)	1.329		1.329	
56	Marine Corps Assault Vehicles	40.106		1.486	
75	Gun Weapon System Technology	42.204		2.000	
106	New Design SSN	394.000		4.700	
112	Unguided Conventional Air-Launched Weapons	22.322		1.648	
154	Tomahawk and Tomahawk Mission Planning Center	136.364		3.700	
163	Aviation Improvements	53.512		1.435	
Total		\$703.644		\$19.698	

Ship Concept Advanced Design (Line 48)

If Congress does not approve DOD's reprogramming request, the Navy's fiscal year 1997 request of \$13.8 million for ship concept advanced design can be reduced by \$3.4 million because the Navy Comptroller is withholding \$3.4 million in excess fiscal year 1996 funds that can be used to offset fiscal year 1997 program requirements. According to the Navy Comptroller's office, these excess funds are required in fiscal year 1997 and the President's budget reflected use of these funds to support fiscal year 1997 requirements. However, DOD included \$3.4 million in its fiscal year 1996 omnibus reprogramming request and we could not verify the accuracy of the Navy's position because the Navy did not provide data to support its position. Therefore, unless the Navy can demonstrate that it offset its fiscal year 1997 budget requirements by the \$3.4 million in excess fiscal year 1996 funds, the Navy's fiscal year 1997 request should be reduced by that amount.

Advanced Warhead Development (MK-50) (Line 55)

The Navy's fiscal year 1997 request of \$1.3 million for MK-50 advanced warhead development can be denied. Funds for the Navy's upgrade of its lightweight torpedo are provided from this account. These funds are not needed, and the upgrade efforts can be terminated because (1) they will only marginally improve the torpedoes' performance and (2) the Navy is developing a new Hybrid lightweight torpedo that is expected to accomplish the same littoral warfare objectives as the upgrade effort.

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In our classified report on Navy torpedo programs issued earlier this year, we pointed out that the Navy is upgrading its existing lightweight torpedoes—the MK-46 and the MK-50 Block II—to improve their performance against diesel submarines in shallow, littoral waters. Operational performance tests have not been done for either upgrade program. Without such tests, the Navy will not know whether the upgrade will improve the torpedoes' effectiveness. Additionally, the Navy's new Hybrid lightweight torpedo being developed is intended to improve the Navy's capability against diesel submarines in shallow, littoral waters. DOD did not agree that the program should be terminated and stated that the MK-50 upgrade provides a cost-effective means to achieve an interim capability for shallow-water antisubmarine warfare prior to the introduction of the Hybrid lightweight torpedo.

Marine Corps Assault Vehicles (Line 56)

The Navy's fiscal year 1997 request of \$40.1 million for Marine Corps assault vehicles can be reduced by \$510,000 because an equivalent amount of excess fiscal year 1996 funds is available to meet fiscal year 1997 requirements. The Marine Corps is developing the Advanced Amphibious Assault Vehicle as its primary combat vehicle during both ship-to-shore maneuvers and combat operations ashore. The Marine Corps planned to award a demonstration/validation phase contract in March 1996 requiring estimated fiscal year 1996 contract payments of \$21.3 million. However, a delay in the competitive bid process caused the contract award to slip to June 1996. As a result, fiscal year 1996 contract payments are now estimated to total about \$20.8 million, or \$510,000 less than the amount originally estimated.

According to the program manager, the winning contractor may be able to accelerate work to regain the 2 months already lost. Given that (1) the winning contractor would first need to determine an appropriate work breakdown schedule to accommodate this additional workload and (2) less than 4 months remained in the fiscal year when the contract was awarded, we have concerns that the contractor can accomplish 6 months of work in just 4 months. As a result, we believe \$510,000 in excess fiscal year 1996 funds could be used to offset the fiscal year 1997 budget request.

Marine Corps program officials disagreed with the fiscal year 1997 reduction noting that it would place their already accelerated program at risk and would affect the selected contractor's ability to correct government identified deficiencies in its contract proposal. Given the additional workload cited by program officials, we still believe the

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\$510,000 will be excess to fiscal year 1996 needs and can be applied toward fiscal year 1997 requirements. DOD agreed with the Marine Corps officials and noted that the fiscal year 1996 funding profile is \$510,000 less than originally planned.

**Gun Weapon System
Technology (Line 75)**

The Navy's fiscal year 1997 request of \$42.2 million for gun weapon system technology can be reduced by \$2 million because fiscal year 1997 requirements are overstated. In December 1994, the Chief of Naval Operations approved a revised naval surface fire support plan that required the Naval Sea Systems Command to (1) initiate upgrades to the Navy's 5-inch, MK 45 gun mount to deliver precision-guided munitions and (2) develop a 5-inch precision-guided munition with an initial operational capability before fiscal year 2001. The Navy planned to award an engineering and development contract to modify its existing 5-inch/MK 45 gun mount in November 1995; however, the contract award slipped to February 1996 because of the complexities of incorporating all the required modifications into the gun mount contract. As a result, fiscal year 1996 actual contract payments will total \$10 million instead of \$12 million as budgeted by the program office. According to a Navy program official, the \$2 million in available fiscal year 1996 funds was used to accelerate (1) ongoing gun mount fire control development efforts and (2) mission, tracking, and targeting software changes to a shipboard computer system to accommodate a precision-guided munition capability, planned fiscal year 1997 efforts. As a result, we believe that the fiscal year 1997 request is overstated by \$2 million and, therefore, can be reduced by that amount.

Navy program officials disagreed with the reduction noting that it would introduce unnecessary risk into an ambitious program and would likely affect their ability to meet the program's required initial operational capability date. DOD agreed with the facts but not the reduction. DOD did not provide new information or further rationale for its position.

**New Design SSN
(Line 106)**

The Navy's fiscal year 1997 request of \$394 million for New Design SSN development can be reduced by \$4.7 million because fiscal year 1997 requirements are overstated. The Navy planned to award an engineering and development contract to integrate sonar and combat control architecture with related subsystems. However, a delay in the competitive bid process caused the contract award to slip from January to April 1996. In addition, critical item testing demonstrated that state-of-the-art commercial off-the-shelf equipment could work effectively within the

anticipated system design, resulting in lower than expected fiscal year 1996 contract costs. As a result, the program office will obligate \$12.8 million less in fiscal year 1996 than was planned as of February 1995. The Navy and DOD reprogrammed \$5.5 million, and the program manager used \$2.6 million to make essential adjustments to other fiscal year 1996 developmental efforts and \$4.7 million to purchase materials for a related new SSN design subsystem development effort in fiscal year 1997. Because the Navy no longer needs to purchase these materials in fiscal year 1997, we believe the fiscal year 1997 request is overstated and, therefore, can be reduced.

Navy program officials disagreed with the fiscal year 1997 reduction, noting that the program manager must retain flexibility to execute trade-offs in this highly complex developmental system as long as they are within the overall scope and plan for the program. DOD commented that the President's budget reflected a \$4.5-million reduction for program-related changes. However, it did not provide documentation or further rationale to support its position. Therefore, we were unable to verify DOD's position and continue to believe the reduction is warranted.

**Unguided Conventional
Air-Launched Weapons
(Line 112)**

The Navy's fiscal year 1997 request of \$22.3 million for the unguided conventional air-launched weapons can be reduced by \$1.6 million because the Navy Comptroller is withholding \$1.6 million in excess fiscal year 1996 funds that can be used to offset fiscal year 1997 program requirements. According to the Navy Comptroller's office, these excess funds are required in fiscal year 1997 and the President's budget reflected use of these funds to support fiscal year 1997 requirements. However, we could not verify the accuracy of the Navy's position because the Navy did not provide data to support its position. Therefore, unless the Navy can demonstrate that it offset its fiscal year 1997 budget requirements by the \$1.6 million in excess fiscal year 1996 funds, the Navy's fiscal year 1997 request should be reduced by that amount. DOD did not agree with the proposed reduction but did not provide new information or further rationale for its position.

**Tomahawk and Tomahawk
Mission Planning Center
(Line 154)**

The Navy's fiscal year 1997 request of \$136.4 million for the Tomahawk and Tomahawk mission planning center can be reduced by \$3.7 million because the Navy Comptroller is withholding \$3.7 million in excess fiscal year 1996 funds that can be used to offset fiscal year 1997 program requirements. According to the Navy Comptroller's office, these excess

funds are required in fiscal year 1997 and the President's budget reflected use of these funds to support fiscal year 1997 requirements. However, we could not verify the accuracy of the Navy's position because the Navy did not provide data to support its position. Therefore, unless the Navy can demonstrate that it offset its fiscal year 1997 budget requirements by the \$3.7 million in excess fiscal year 1996 funds, the Navy's fiscal year 1997 request should be reduced by that amount. DOD did not agree with the proposed reduction but did not provide new information or further rationale for its position.

**Aviation Improvements
(Line 163)**

The Navy's fiscal year 1997 request of \$53.5 million for aviation improvements can be reduced by \$1.4 million because excess fiscal year 1996 funds are available to meet fiscal year 1997 program requirements. Fiscal year 1997 budget documents show that the program needs about \$64.8 million for fiscal year 1996, or about \$2.1 million less than the amount provided. According to the Navy Comptroller's office, these excess funds are required in fiscal year 1997 and the President's budget reflected use of these funds to support fiscal year 1997 requirements. Program office officials told us they plan to obligate these funds in fiscal year 1997 for electro-optic requirements that were rephased after submission of the fiscal year 1996 President's budget and prior to the submission of the fiscal year 1997 budget. However, Navy documents supporting the fiscal year 1997 budget request show that the Navy reduced its fiscal year 1997 requirements by \$621,000. Therefore, unless the Navy can demonstrate that it offset its fiscal year 1997 budget requirements by another \$1.4 million in excess fiscal year 1996 funds, the Navy's fiscal year 1997 request for this item should be reduced by that amount. DOD did not agree with the proposed reduction but did not provide new information or further rationale for its position.

**Air Force RDT&E
Programs**

The Air Force requested \$14.4 billion for RDT&E programs in fiscal year 1997. As shown in table II.4, we identified potential reductions of \$26.9 million to the fiscal year 1997 requests for four items and a potential rescission of \$2.8 million from the expiring fiscal year 1995 appropriation for another item.

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Table II.4: Potential Reductions and Rescission to Air Force RDT&E Programs

Dollars in millions

Line no.	Line item description	Fiscal year 1997		
		Request	Potential reduction	Potential rescission (fiscal year 1995)
46	Advanced Military Satellite Communications	\$31.643	\$15.100	0
78	Munitions Dispenser Development	56.229	3.808	0
137	Advanced Medium Range Air-to-Air Missile	25.883	5.000	0
174	Satellite Control Network	89.960	0	\$2.800
182	Titan Space Launch Vehicles	105.472	3.000	0
Total		\$309.187	\$26.908	\$2.800

Advanced Military Satellite Communications (Line 46)

The Air Force's fiscal year 1997 request of \$31.6 million for advanced military satellite communications can be reduced by \$15.1 million because fiscal year 1997 requirements are overstated. Air Force officials told us that \$15.1 million was requested for the Processing Subsystem Engineering Model effort. They stated that this effort has been delayed until at least fiscal year 1998. DOD commented that the funds could be used for other critical research and development efforts. However, we believe they can also be used to offset fiscal year 1997 requirements.

Munitions Dispenser Development (Line 78)

The Air Force's fiscal year 1997 request of \$56.2 million for developing the Wind Corrected Munitions Dispenser can be reduced by \$3.8 million because the request is overstated by \$300,000 and \$3.5 million in excess fiscal 1996 funds is available to meet fiscal year 1997 requirements. Since submitting the fiscal year 1997 budget request, the program office has restructured the planned use of the requested funding for several cost elements. This revised plan includes \$16 million for aircraft integration efforts. However, program documentation indicates that only \$15.7 million is required. Therefore, the request can be reduced by \$300,000.

In addition, \$3.5 million in excess fiscal year 1996 funds can be used to offset the fiscal year 1997 request. Program officials were planning to use \$16.2 million for aircraft integration during fiscal year 1996, but, because of delays in a related program, they now plan to obligate only \$12.7 million during fiscal year 1996. Program officials said that they plan to carry over the excess \$3.5 million to fund aircraft integration in fiscal year 1997. Program officials agreed with our analysis but expressed concern that the

unobligated fiscal year 1996 funds might be reprogrammed, which would create a shortfall in fiscal year 1997. DOD agreed with the reduction.

Advanced Medium Range Air-to-Air Missile (Line 137)	The Air Force's fiscal year 1997 request of \$25.9 million for the Advanced Medium Range Air-to-Air Missile can be reduced by \$5 million because an equivalent amount of excess fiscal year 1996 funds, if released, is available to meet fiscal year 1997 program needs. DOD has not released the \$5 million to the Air Force because, according to program officials, the missile's preplanned product improvement program does not have a requirement for these funds. Program officials said the fiscal year 1996 funds already released to the program are sufficient for fiscal year 1996. DOD commented that the funds were needed to provide additional testing for the phase 3 product improvement risk reduction effort. However, since program officials believe program requirements are adequately funded, we continue to believe the reduction is warranted.
Satellite Control Network (Line 174)	Of the Air Force's fiscal year 1995 appropriation of \$90 million for the Satellite Control Network, \$2.8 million can be rescinded because program officials identified this amount as excess to program requirements. The fiscal year 1995 funds are available because contract award costs were \$2.8 million less than the amount budgeted. These fiscal year 1995 funds will expire if not obligated by September 30, 1996, and, therefore, are available for reprogramming or rescission during the remainder of fiscal year 1996. Air Force officials stated that they planned to include these funds in the fiscal year 1996 omnibus reprogramming request, but the funds were not included. DOD agreed with the reduction.
Titan Space Launch Vehicles (Line 182)	The Air Force's fiscal year 1997 request of \$105.5 million for Titan Space Launch Vehicles can be reduced by \$3 million because excess fiscal year 1996 funds are available to meet program needs. Program officials stated that because of a delay in awarding a contract for a new guidance system, only \$3.4 million of \$6.4 million budgeted for the guidance system could be obligated. The remaining \$3 million in excess fiscal year 1996 funds can be used to offset the fiscal year 1997 budget request. DOD commented that the funds had already been deleted from the program. However, we could not verify the accuracy of DOD's position because neither DOD nor Air Force program officials provided documentation to support the position that the funds had been deleted from the program. Therefore, we continue to believe that the reduction is warranted.

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Defense-Wide RDT&E Programs

DOD requested \$8.4 billion for Defense-wide RDT&E programs in fiscal year 1997. As shown in table II.5, we identified potential reductions of \$173.7 million to the fiscal year 1997 request for six items and a potential rescission of \$821,000 from expiring fiscal year 1995 appropriation for one item.

Table II.5: Potential Reductions and Rescission to Defense-wide RDT&E Programs

Dollars in millions

Line no.	Description of item	Fiscal year 1997		
		Request	Potential reduction	Potential rescission (fiscal year 1995)
16	Defense Nuclear Agency	\$195.131	\$15.500	0
64	Theater High Altitude Area Defense-Theater Missile Defense	269.000	129.300	0
70	Corps Surface-to-Air Missile -Theater Missile Defense-Demonstration/Validation	56.232	10.790	0
73	Other Theater Missile Defense/Follow-on Theater Missile Defense	520.111	0.489	\$0.821
78	Theater High-Altitude Area Defense System-Theater Missile Defense	212.798	15.000	0
80	Patriot PAC-3 Theater Missile Defense Acquisition	381.509	2.645	0
Total		\$1,634.781	\$173.724	\$0.821

Defense Nuclear Agency (Line 16)

The Defense Nuclear Agency's fiscal year 1997 request of \$195.1 million can be reduced by \$15.5 million because fiscal year 1997 requirements are overstated by \$7 million and \$8.5 million in excess fiscal year 1996 funds is available to meet fiscal year 1997 program needs. The Agency received \$8.5 million in fiscal year 1996 and requested \$7 million in fiscal year 1997 for the Thermionic Experiment with Conversion in Active Zone program. On February 15, 1996, the Agency terminated the program's hardware purchase contract. Therefore, the \$7 million requested for fiscal year 1997 is no longer needed, and the \$8.5 million in excess fiscal year 1996 funds can be used to offset fiscal year 1997 requirements.

Theater High-Altitude Area Defense -Theater Missile Defense (Line 64)

The Ballistic Missile Defense Organization's fiscal year 1997 request of \$269 million for the Theater High-Altitude Area Defense program can be reduced by \$129.3 million because (1) the Army plans to commit \$128 million for production of missile interceptors well before testing provides some assurance of their operational capabilities and (2) \$1.3 million is excess to program requirements.

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The fiscal year 1996 appropriation included \$65 million to begin producing 40 User Operational Evaluation System interceptors; an additional \$63 million is requested for fiscal year 1997 to continue production. In August 1996, the Army plans to exercise a contract option to acquire the interceptors; however, sufficient data for a limited assessment of their operational capabilities will not be available until limited user tests are completed in early 1998. Over the years, we have reported on the production of systems prior to conducting adequate operational testing. The consequences have included the acquisition of unsatisfactory weapons requiring costly modifications and/or the deployment of substandard systems to combat forces. Delaying the contract until user tests are completed would delay final delivery of the interceptors to late 2000. This is about 1-1/2 years later than currently planned but before the system's initial fielding scheduled for the 2006 timeframe.

The program's fiscal year 1996 appropriation included \$1.5 million to modify a classified target for use in the demonstration and validation phase's flight test program. However, the Ballistic Missile Defense Organization subsequently determined that the classified target only required \$200,000 for maintenance rather than modifications. Ballistic Missile Defense Organization officials acknowledged that the remaining \$1.3 million was not needed for the classified target but stated that they would like to retain the funds for mission support at the flight range. However, these funds are not needed for this purpose because range support for the program's demonstration and validation phase flight test is already fully funded.

DOD commented that (1) Congress wants this capability by fiscal year 1998 and our suggested reduction would adversely affect that objective, (2) the contract option for the interceptors will not be exercised until after a successful target intercept, and (3) the need to fund the classified target caused an unplanned reduction to other efforts and the \$1.3 million not needed for the target was returned to the original efforts. We continue to believe that it is premature to procure the interceptors. As stated in our recent report, we are concerned with the risks inherent in the Army's accelerated approach of contracting for interceptors to be deployed before testing provides assurance of the interceptor's effectiveness and recommended that the Secretary of Defense seek legislative relief from the requirements of the 1996 National Defense Authorization Act in regards to acquiring the capability by fiscal year 1998.³ Regarding the classified target

³Ballistic Missile Defense: Issues Concerning Acquisition of THAAD Prototype System
(GAO/NSIAD-96-136, July 9, 1996).

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funding, we determined that the target was funded from a separate account that funds demonstration and validation targets and that the funds are no longer needed for that purpose. Therefore, we have not changed our position.

**Corps Surface-to-Air
Missile-Theater Missile
Defense-Demonstration/
Validation (Line 70)**

The Ballistic Missile Defense Organization's fiscal year 1997 request of \$56.2 million for the Corps Surface-to-Air Missile program can be reduced by \$10.8 million—\$8.2 million because of slippage in the award of fiscal year 1996 contracts and \$2.6 million because the contract slippage reduces fiscal year 1997 funding requirements.

On May 1, 1996, the Army awarded international teaming contracts to two U.S. contractors to define development work to be done by two international prime contractor teams during the follow-on project definition-validation phase. According to an Army official, because the period of performance for the teaming contracts is 120 days and other actions need to be taken before the contracts are awarded, the follow-on project definition-validation phase contracts cannot be awarded until the end of fiscal year 1996 or early fiscal year 1997. Thus, we believe it is highly unlikely that the prime contracts can be awarded before fiscal year 1997 and, therefore, the \$8.2 million provided for the contracts in fiscal year 1996 can be used to offset fiscal 1997 requirements.

Assuming the project definition-validation phase prime contracts are awarded in July 1996, the project office estimated the U.S. share of the fiscal year costs for the two prime contracts would be \$46.7 million. However, because of the delays in awarding the international teaming contracts, the prime contracts will probably not be awarded until the end of fiscal year 1996, or more likely, the first quarter of fiscal year 1997. This delay reduces the contractors' anticipated effort in fiscal year 1997 and will result in a \$2.6-million decrease in the estimate of work to be done.

DOD commented that (1) even though award of the project definition-validation phase contracts has slipped to September 1996, the planned contract completion date of December 1998 agreed to in the multinational memorandum of understanding has not slipped; (2) the proposed reduction could result in delaying the project definition-validation phase completion date and breaking the existing agreement; and (3) the fiscal year 1997 request was based on industry proposals for the U.S. share of the effort only and subsequent agreements

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to relocate European efforts to the United States will require additional up-front funding in fiscal year 1997.

The memorandum of understanding states that the project definition-validation phase is planned for completion in calendar year 1998 and will remain in force until the phase is completed or for 5 years, whichever occurs first. Therefore, our proposed reduction should not effect the agreement. Additionally, the budget estimate of the U.S. share of the prime contractor's project definition-validation effort exceeded the contractors' estimates by \$14.7 million, of which about \$6.5 million was budgeted for fiscal year 1997. Considering the 6-month schedule slippage and the \$14.7-million overestimate, the program should have sufficient funds to maintain stability. Therefore, we continue to believe the reduction is warranted.

Other Theater Missile Defense/Follow-on Theater Missile Defense (Line 73)

The Ballistic Missile Defense Organization's fiscal year 1997 request of \$37.2 million for the Arrow missile can be reduced by \$489,000 because excess fiscal year 1996 funds are available to meet fiscal year 1997 requirements, and \$821,000 can be rescinded from the fiscal year 1995 appropriation.

In February 1996, the project office received an additional \$1.3 million in fiscal year 1995 funds to support the Arrow Deployability Project. Of this amount, \$489,000 was used to fund fiscal year 1996 requirements and the remaining \$821,000 was unobligated as of April 29, 1996. Therefore, we believe \$489,000 in fiscal year 1996 funds—the amount no longer needed because requirements were met with fiscal year 1995 funds—is available to offset fiscal year 1997 requirements, and the remaining \$821,000 can be rescinded. The excess fiscal year 1995 funds will expire if not obligated by September 30, 1996, and, therefore, are available for reprogramming or rescission during the remainder of fiscal year 1996. The project office agreed that the \$1.3 million is excess to program needs. However, DOD did not agree with the \$821,000 rescission stating that the funds will be obligated by September 30, 1996. Because DOD did not provide documentation for its obligation plans, we continue to believe the funds are available for reduction or rescission.

Theater High-Altitude Area Defense System-Theater Missile Defense (Line 78)

The Ballistic Missile Defense Organization's fiscal year 1997 request of \$212.8 million for the Theater High-Altitude Area Defense system can be reduced by \$15 million because the fiscal year 1997 requirement is

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overstated. The requirement is overstated because the current demonstration and validation phase program for this system includes funding to procure 20 interceptors for flight tests; however, only 15 flight tests are scheduled. Because they use the same components, the remaining interceptors could be used to fulfill a fiscal year 1997 requirement for five partial interceptors for the early engineering and manufacturing phase safety and hazard assessment tests.

The project office agreed that the five demonstration and validation interceptors could be used in the early engineering and manufacturing development tests. Army and Ballistic Missile Defense Organization officials said that they would prefer using the interceptors for canceled tests or other requirements that may surface. However, the interceptors can only be used if the cancelled tests are reinstated, and to reinstate them would require significant additional funding, which is not currently available. DOD did not agree with the reduction but did not provide new information or further rationale for its position.

**Patriot PAC-3 Theater
Missile Defense
Acquisition (Line 80)**

The Ballistic Missile Defense Organization's fiscal year 1997 request of \$381.5 million can be reduced by \$2.6 million because fiscal year 1997 requirements are overstated by \$1.3 million and \$1.3 million in excess fiscal year 1996 funds is available to meet program needs.

According to the project office, program restructuring reduced the fiscal year 1997 engineering and manufacturing development phase contract requirements by \$1.3 million. An extension of Patriot's engineering and manufacturing development phase, according to the product manager for theater targets, also reduced fiscal year 1996 target requirements by \$1.3 million. These excess funds can be used to offset the fiscal year 1997 budget request.

DOD commented that the funds were still needed for engineering and manufacturing development phase contractual requirements and that the proposed reduction for targets is inappropriate because the target procurement process for the first flight test has already begun. However, Patriot program officials agreed that the \$1.3 million for engineering and manufacturing development was excess to fiscal year 1997 requirements and the theater missile defense's target office agreed that the \$1.3 million was excess to Patriot's target requirements in fiscal year 1997. Because DOD did not provide new information or further rationale for its position, we continue to believe the reduction is warranted.

Scope and Methodology

We reviewed DOD's procurement and RDT&E programs that we identified from our ongoing assignments and the initial phase of this assignment as having cost, schedule, performance, or programmatic concerns. To achieve our objectives of identifying potential reductions to the fiscal year 1997 requests and potential rescissions of prior years' appropriations, we interviewed program officials and reviewed program documentation such as budget requests and justifications, monthly program status reports, correspondence, briefing reports, and accounting and financial reports.

We performed our work at numerous DOD and military service organizations. Some of the organizations we visited were

- Office of the Secretary of Defense and Army, Navy, Air Force, and Marine Corps headquarters, Washington, D.C.;
- Army Materiel Command, Alexandria, Virginia;
- Army Aviation and Troop Command, St. Louis, Missouri;
- Army Communications-Electronics Command, Fort Monmouth, New Jersey;
- Army Tank-Automotive and Armaments Command, Warren, Michigan;
- Army Missile Command and Ballistic Missile Defense Organization, Huntsville, Alabama;
- Army Space and Strategic Defense Command, Huntsville, Alabama;
- Program Executive Office, Theater Missile Defense, Huntsville, Alabama;
- Naval Air and Sea Systems Commands, Arlington, Virginia;
- Naval Undersea Warfare Center Division, Newport, Rhode Island;
- Air Force Materiel Command, Space and Missile System Center, Los Angeles, California;
- Air Force Materiel Command, Aeronautical Systems Center, Wright-Patterson Air Force Base, Ohio; and
- Air Force Materiel Center, Electronic Systems Division, Hanscom Air Force Base, Massachusetts.

We conducted our review from October 1995 to June 1996 in accordance with generally accepted government auditing standards.

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